



Legislative Update

The Legislature and the Governor wrapped up another session, with the Governor signing all the major budget bills as well as the omnibus tax and elections bills. There are several important provisions included in all three bills that will affect school district budgets and facilities planning. Because this is a "budget" year, the major omnibus bills needed to be signed into law to keep the government funded. As a result, there are many provisions that were enacted, but we intend to only highlight the major changes, and primarily those in the facilities area. There were many smaller changes that might affect some districts but not others. We invite you to contact us if you have specific questions about provisions not listed here.

School Building Bond Agricultural Credit - Included in the omnibus tax bill

This provision, effective for property taxes payable in 2018, will have a significant impact in school districts with large concentrations of agricultural land by providing agricultural property owners a credit of 40% of the taxes attributable to school district debt service for all agricultural property, excluding the house, garage, and one acre. The credit will be directly deducted from property taxes owed and will apply to debt service levies for all existing and future bond payments (except OPEB). The amount of the credit will be paid directly to the school district by the state.

An important note about the School Building Bond Agricultural Credit is the interaction with existing revenue programs and financing tools. Because debt service levies qualify for the credit, while funds levied on a pay as you go basis do not, a decision to issue Long Term Facilities Maintenance (LTFM) bonds will reduce total taxes on agricultural property compared with making an annual levy. The same holds true for capital facilities bonds, which are financed with operating capital revenue.

Please contact us if you would like to know the specific impact of the credit (in total dollars or tax impact per acre) on your district for your current outstanding debt.

Special Election Dates – Included in the omnibus elections bill

Effective for elections after January 1, 2018, the current "windows" of allowable special election dates for bond referendums and capital project levies have been limited to five specific dates during the calendar year: the second Tuesday in February, April, May, and August, or the first Tuesday after the first Monday in November. Also, school boards must designate combined polling places by December 31 of the prior year, effective for one calendar year.



Review and Comment

There were two changes to the review and comment process that take effect on July 1, 2017. First, the school board will be required to hold a public meeting to discuss the commissioner's review and comment before the bond election. Second, the commissioner's review and comment will now include comments from district residents. If your district will be voting after July 1, plan to review the commissioner's review and comment before your election at a regular or special school board meeting.

Long Term Facilities Maintenance

School districts must now adopt or develop a plan to test for the presence of lead in the water in school buildings. This testing and subsequent remediation, if necessary, can be included in the ten-year facilities plan and is an allowable use of facilities maintenance revenue.

Basic Formula Allowance

The formula allowance for fiscal year 2018 is \$6,188 and for fiscal year 2019 and later is \$6,312. This represents a 2% increase in each year of the biennium.

Payment Metering

For school district nonoperating aids and credits (including debt service equalization aid, LTFM aid in the debt fund, and the new school building bond agricultural credit), payments will be made in six monthly installments at the beginning of the fiscal year instead of 12 over the course of the year, to better align with semi-annual payments to bondholders and improve cash flow in school district debt service funds.

Updates to Maximum Effort Capital Loan Changes of 2016

Last year there were many changes related to the "Maximum Effort Capital Loan" program that affected the small number of districts in that program. Some of the changes in last year's legislation were included in the Omnibus Tax Bill, which was vetoed by the Governor. The Legislature included those changes and a few others in the education and tax omnibus bills this year.

Statewide Property Tax- Included in the omnibus tax bill

Two changes will reduce property taxes for commercial-industrial and seasonal-recreational (cabins) property, which are subject to a statewide property tax paid directly to the state. The inflation factor on the overall amount levied was removed, and the first \$100,000 of value of a commercial-industrial property is now exempted from this tax. There is no impact to school revenue or levies because of this change, but business will see some overall property tax relief.