Minnesota Department of Education

Alternative Facilities Bonding and Levy Program

Reference Manual

For School Districts Qualifying Under Minnesota Statutes, Section 123B.59, Subdivision 1, Paragraph (a)[1]

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[1] This reference manual does not cover the limited participation in the program under Minnesota Statutes, section 123B.59, subdivision 1, paragraph (b) by smaller districts that have one or more health and 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 in planning and project submission for the Alternative Facilities Bonding and Levy funding program under Minnesota Statutes, section 123B.59. The document applies to districts eligible under the Minnesota Statutes, section 123B.59(1)(a) portion only (presently 21 large districts). There are many elements of the program at the district level from project inception to final financial closeout, and this document covers some but not all categories.

B. DEFINITIONS (for purposes of this document only)

1. **Project** – A project is district defined. It may be a single category or classification of work such as roof removal and replacement, tuck-pointing, flooring removal and replacement, asbestos abatement and replacement, mechanical ventilation replacement, plumbing removal and replacement and the like. It may include several categories of alternative facilities-qualifying work grouped by the district as a project for purposes of bidding and/or contracting, such as 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 (e.g. roof replacement, tuck-pointing, etc.). Expenditures must be identified separately by fiscal year and breakdowns by category of work and building/site provided at the time of initial project approval and for significant modifications to project(s).

   Projects may be included with (be "bundled together" with) non-qualifying 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 qualifying work are tracked separately, such that the actual cost of work can be reconciled at a future time to the approved amount authorized.

   In all cases, projects will be entered onto the Alternative Facilities website (new format) and will be supported by a document called the Project Initial List. The precise format of both will be described later.

   Beginning with FY 2007, at the end of the fiscal year, the district shall report to the Minnesota Department of Education (MDE) through the Uniform Financial and Accounting Reporting Standards (UFARS) the actual cost of each project incurred during the fiscal year. The UFARS expenditure reported by project will be used to update the Alternative Facilities website for purposes of determining funding for subsequent years. The UFARS data field used to match website APPROVAL with UFARS reported amounts shall be the UFARS Course Code, a three digit numeric only value.

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 Qualifying Work** – Subdivision 2(a) of the statute refers. There are three categories of qualifying work: deferred maintenance, health and safety 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. 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 health and safety), 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 prorated 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. With the exception of ISD #834, districts that fall below minimal age and size requirements are not eligible for approval of new projects; however, these districts will continue to levy for bonds issued during the period of eligibility and adjustments will be made to annual levies for actual costs of projects approved during the period of eligibility.

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. A significant change in amount is greater than 10 percent, either in scope of work or amount. If a project exceeds the threshold, MDE may require that the Project Initial List be revisited and additional information provided before an increase in approved 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>. Thus, maintenance projects do not involve upgrade or replacement but only the restoration of the original state (insofar as is possible).

10. **Other Funding Sources** – Insurance proceeds and warranties must be applied first to program costs. 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.

C. QUALIFYING DISTRICTS

Minnesota Statutes, section 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; and

(4) a 10-year facility plan approved by the commissioner according to subdivision 2.

D. 10-YEAR FACILITY PLAN

Minnesota Statutes, section 123B.59, describes eligibility as follows (excerpted):

Subd. 2. ***Facility plan.*** *(a) A district qualifying under subdivision 1, paragraph (a), must have a 10-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; and

(3) deferred capital expenditures and maintenance projects necessary to prevent further erosion of facilities.

E. REQUIREMENT TO PERIODICALLY UPDATE AND INDICATE FUNDING MEANS

Minnesota Statutes, section 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; and
(3) indicate whether the district will issue bonds to finance the plan or levy for the costs.

F. REQUIREMENT TO PUBLISH NOTIFICATION TO TAXPAYERS

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

Subd. 3: 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, and the commissioner's review and comment, if applicable.

Subd. 3a: 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, and the commissioner's review and comment, if applicable.

Regardless of the requirement for review and comment or not, publishing requirements are established under Minnesota Statutes, section 123B.59 and not under Minnesota Statutes, section 123B.71. Refer to the comment found in Minnesota Statutes, section 123B.71, subdivision 12. MDE does not require proof of either 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

Minnesota Statutes, section 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 prior to review and comment by the commissioner. The commissioner may exempt a facility maintenance project funded with general education aid and levy, alternative facilities bonding and levy program, or health and safety revenue from this provision after reviewing a written request from a school district describing the scope of work. A school board shall not

separate portions of a single project into components to avoid the requirements of this subdivision.

As can be seen, an expenditure of greater than $500,000 per building (for a given year's application) may be exempted by the commissioner but the district must request it. The district should contact MDE's Division of School Finance for a determination as to whether or not the facility maintenance project exemption applies to the district's intended plans.

H. AUTHORITY TO BOND OR TO LEVY

Minnesota Statutes, section 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, documented in board minutes.

I. CANNOT FUND SAME WORK UNDER MINNESOT STATUTES, SECTIONS 123B.59 AND 123B.58

Minnesota Statutes, section 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.*

J. ALTERNATIVE FACILITIES AID

Districts qualifying for revenue under Minnesota Statutes, section 123B.59, subdivision 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 Tier One debt equalization revenue, though currently no district qualifies for debt equalization aid.

K. ACCOUNTING FOR ALTERNATIVE FACILITIES REVENUE AND EXPENDITURE MINNESOTA STATUTES, SECTION 123B.59 SUBDIVISON 8

Minnesota Statutes, section 123B.59 subdivision 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 Minnesota Statutes, section 475.65.*

In the past, MDE has not reconciled expenditures or fund balance for this program to UFARS. To provide a measure of accountability for these revenues and expenditures, the department will require districts to report on completion of approved projects and to provide 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 MDE.

Beginning with FY 2007, the UFARS Course Dimension Code will be used to track project expenditures. The process will involve identification by the district of a course code when the project is entered for approval. Since many projects are not completed within a fiscal year, this course code will continue to identify the project across fiscal years. As part of the annual plan update in Minnesota Statutes, section 123B.59, subdivision 2, districts will revise costs of each project and report annual costs in each reporting cycle using the district assigned UFARS course dimension code assigned for the project along with finance code 386. The district and agency will be able to track the changing costs of a project through multiple fiscal years and application years by means of the Alternative Facilities (revised) website, in a unit record format.

Effective for bond authorizations issued after July 1, 2006, and annual levy limitations for taxes payable in 2007 and later, 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 will be completed using aggregate data for all projects in the district, not by individual project. The calculations for taxes payable in 2007 will be done as follows:

Expenditures:

1. FY 2006 actual expenditures for approved projects (from UFARS— Finance Code 386) $_____
2. FY 2007 estimated expenditures for approved projects (from updated Alternative Facilities plan) $_____
3. FY 2008 estimated expenditures for approved projects (from updated Alternative Facilities plan) $_____
4. Subtotal, approved expenditures, FY 06 – FY 08 $_____
5. FY 2009 and later estimated expenditures for approved projects being initiated in FY 2008 or earlier or otherwise receiving detailed review and approval for bonding at this time. $_____

Less amounts available:

6. Alternative Facilities fund balance as of 6/30/2005 (Fund 6, GNL 409) $_____
7. Pay as you go levy for taxes payable in 2005 (FY 2006) $_____
8. Pay as you go levy for taxes payable in 2006 (FY 2007) $_____
9. Alternative Facilities aid for FY 2006 (Fund 6) $_____
10. Alternative Facilities aid for FY 2007 (Fund 6) $_____
11. Bond proceeds from bonds issued during FY 2006 $_____
12. Subtotal, amounts available as of 6/30/2007 excluding unused bonding authority as of 6/30/2006 $_____
13. Bond proceeds from bonds issued after 6/30/2006 $_____
14. Unused bonding authority (authority granted by MDE but application date bonds not yet issued by district) $_____

Levy and Bonding Limitations:

- For a district only doing annual levies, the levy limit for Pay 2007 equals line 4 less line 12.
- For a district with bonding and annual levies, the levy limit for annual levies for Pay 2007 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 and 13 and 14.

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 proper and 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, and
   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 10-year plan,
   b) submission of the plan for approval,
   c) consideration of review and comment under Minnesota Statutes, section 123B.71, and
   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 loading projects onto the website. Basic required information include:
   a) estimated cost by fiscal year(s),
   b) building name(s)/designator(s),
   c) description of the scope of work, apportioned by building, and
   d) project number (UFARS Course Code).

   See Attachment One for additional technical details. The collection of many projects over a 10-year period constitutes the 10-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 may be loaded, the MDE must be provided (at least once) with a Project Initial List that provides detailed support for each project. Paragraph O below (especially paragraph 1.) and Attachment Two provide supporting details. The district shall report the Project Initial List in Excel format to the MDE.

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

5. The program allows districts to list in their plan qualifying projects regardless of their size, but requires that districts obtain approval for all work that exceeds $10,000 from the MDE prior to proceeding, 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 under the Reference Manual criteria 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 percent 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 initial 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 percent, can be approved at the annual review. If there is a general plan change involving several project initial lists or 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 10-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 10-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 staff. They will want to examine the deteriorated condition of proposed work and get an on-site perspective of the intended construction objectives. MDE will contact the district to establish an agreeable date, time and location for the visit.

9. Projects are assigned a 3-digit identifier on the MDE Alternative Facilities website database by the district corresponding to the three digit district-assigned project number (UFARS Course Code). Projects intended for funding will be marked with a STATE APPROVAL of "YES," meaning they are cleared for funding or "R&C" meaning they are "approved" but yet require REVIEW AND COMMENT consideration under Minnesota Statutes, section 123B.71." Projects marked "NMI" (needs more information) informs the district that there is an issue or question with the project, and that it should contact MDE for more information. Projects marked "NO" will be so marked based on criteria presented herein and may be appealed at the district's discretion. All UFARS Course

Codes Dimensions are available for district use except 001 through 010 (codes for designated years) and 640 (Federal Special Education Staff Development).

10. Review and Comment – see Minnesota Statutes, section 123B.71, especially subdivision 8. After the project is approved under the Alternative Facilities program as meeting program funding eligibility requirements, if site costs exceed $500,000 per year (including other facilities capital funding revenue sources) , it shall be considered for review under Minnesota Statutes, section 123B.71. The district shall contact MDE to determine what information is needed. Upon either review and comment exemption or completion, MDE will provide final agency project approval. The approval process shall not exceed the time established in paragraph 5 above, unless the MDE has need of follow-up information.

11. Projects approved for less than $500,000 or those for more than $500,000 that have completed their review and comment 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 Initial List because there are three different sets of criteria that are applied to the approval of each, and 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/Section 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 loading the project, though 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 statute (Minn. Stat. 123B.57) and the current commissioner's Health and Safety Application Letter.

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 initial 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 MDE the next business day. Contingency funding will not be granted for these projects.

b) **Maintenance projects** are identified as defined as line-items on the project initial 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 like-work classification. Approval for this work can usually be delayed and granted as part of the subsequent year's 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 "like with like."

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 only DDC logic is available, then the closest functionality to the original only will be funded. In a situation where a replacement component may have an additional capacity that can be financially determined and separated, this consideration may be required. For example, replacement of an HVAC unit as a unitary component that has air conditioning or heating capacity built in and which cannot be physically removed will likely require pro-rationing from another funding source.

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 Minnesota Statutes, section 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.

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. Alternatively, funding of out-source capacity in direct support of approved projects is allowable. Projects for this should be identified separately and not embedded into project costs. 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. Adjustments may be necessary as is presently accomplished in the Health and Safety program.

P. TIMELINES

1. Districts must submit 10-year plans (or modifications thereto) annually between December 1 and June 1. Law requires that plans be reviewed with MDE biennially. 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 Initial Lists for new or substantially revised projects

    c. Entry of project information onto the Alternative Facilities website

    d. Review and comment request for exemption if the Application Year amount of a building is over $500,000 but does not exceed $4,000,000

    e. Review and comment materials if the application year amount for a building exceeds $4,000,000.

    f. Additional materials as requested, including technical reports, validation reports and review and comment.

2. Projects with application materials received after June 30, 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 30, 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 30, 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 30.

3. Projects exceeding $10,000 shall be approved before funding is authorized, so that 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, 2006.

Q. TECHNICAL ASSISTANCE AND ON-SITE VISITS/TOURS

1. Program and/or project technical assistance is available from Michael Oxborough from the Division of School Finance at michael.oxborough@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 10-year plan and project approval process. If review and comment is required, MDE 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, 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 Minnesota Statutes, section 123B.59, have been met.

2. Following this action, review and comment in support of Minnesota Statutes, section 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 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 fax this information to 651-582-8878 or mde.funding@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 2007	FY 2008	FY 2009	FY 2010	FY 2011	Contribute
2006 Application	150,000	100,000	50,000	25,000	0	250,000
2007 Application	145,000	75,000	55,000	25,000	0	25,000
2008 Application	145,000	85,000	65,000	30,000	10,000	50,000
2009 Application	145,000	85,000	55,000	0	30,000	-10,000
2010 Application	145,000	85,000	55,000	15,000	25,000	10,000
2011 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 2006 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 2006 application for Pay 2007 taxes: Sum of FY 2007 and FY 2008.
   For 2007 application for Pay 2008 taxes: Sum of FY 2007 through FY 2009 less Pay 2007 Contribute.
   For 2008 application for Pay 2009 taxes: Sum of FY 2007 through FY 2010 less Pay 2007 plus Pay 2008 contribute. And so on.
5. Project must be entered no later than June 30. Projects (or changes to projects) received after June 30, may be assigned a PPA and approval / levy authority may be delayed until the next application year.

Attachment Two

Project Initial List:

The initial project list must be completed once, at the project inception. If change in project cost exceeds 10 percent it may be revisited at the agency's discretion. To be submitted in Excel-formatted software. List must be received no later than June 30. Lists (or changes to lists) received after June 30, 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 entered. Work of a nature of "reasonably anticipated" or contingencies may not be entered until their scope and cost are known.

The list may be updated annually if requested by the district. Additional work that falls within the scope of this 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 and Initial Project List, as it chooses.

Format:

Course Code	Fiscal Year	Individual Building	Deferred Maintenance, Health and Safety or Disabled Access	Description of Work	Amount