



H.B. 220

123rd General Assembly
(As Reported by H. Ways and Means)

Reps. Householder, Willamowski, Bender, Mottley, Cates, Jacobson, Corbin, Mead, Williams, Hollister, Krebs, Terwilleger, Evans, Padgett, Amstutz, Jolivette, Distel

BILL SUMMARY

- Specifies terms of school district lease-purchase agreements used to acquire buildings and land.
- Permits joint vocational school districts to acquire buildings and land using lease-purchase agreements.
- Permits, rather than requires, school boards to levy a property tax specifically for the purpose of paying for land acquired through financing methods requiring periodic installment payments.
- Shortens the time period that school districts must advertise for bids for capital improvement contracts.
- Permits public offices to adopt policies allowing public money in amounts less than \$1,000 to be deposited at less frequent intervals than currently required.
- Requires subdivisions to designate banks and other depositories of public funds every five years, rather than every two years, and to make interim changes if the depository is found to be insolvent or operating unsafely.
- Permits school boards to create petty cash accounts for use by designated school officials.
- Expressly designates school district treasurers as the chief fiscal officers of school districts.

- Exempts from school district debt limits any permanent improvement debt financed with any payments in lieu of taxes or any other compensation received by the school district as reimbursement for property tax exemptions.

CONTENT AND OPERATION

Terms of school district lease-purchase agreements

(sec. 3313.375)

Current law

Currently, city, local, and exempted village school districts are authorized to enter into lease-purchase agreements for the purpose of constructing and eventually owning school district buildings. The agreement must provide for the building to be leased for not more than 30 years, after which ownership of the building and associated land is transferred to the school district. The agreement may require the school district to make a final lump sum payment to the lessor of the building as a condition for the district to become owner of the property. A school district may cancel the lease without penalty if it notifies the lessor "not more than" one year before canceling the lease. The lease-purchase agreement may allow the school district to grant leases, easements or licenses for land for the period of the agreement.

A lease-purchase agreement is considered to be a continuing contract for the purposes of current law (sec. 5705.41) requiring school districts, before entering into contracts, to have sufficient funds on hand to pay for the contract. Under that law, a school district only needs to have sufficient funds on hand to pay for the first fiscal year's payment required under the continuing contract.

Lease-purchase agreements are not continuing contracts

Under the bill, a lease-purchase agreement is no longer considered to be a continuing contract. Instead, the agreement must consist of a series of not more than 30, one-year renewable lease terms. Thus, for the purpose of the statute requiring that sufficient funds be on hand before a school district may enter into a contract, the school district apparently must have enough funds on hand each year for the payments due that year.

A lump sum payment is still permitted as part of a lease-purchase agreement, but it does not necessarily have to be paid at the end of the lease.

Any payments under the agreement can be deemed to be, and paid as, current expenses.

Purpose of lease-purchase agreements

The bill permits school districts to enter into lease-purchase agreements not only for the construction of buildings, but for enlarging, improving, furnishing, and equipping buildings.

Eventual transfer of ownership conditional on fulfillment of district's obligations

The bill specifies that under a lease-purchase agreement, the transfer of the land or building to a school district at the end of the agreement is conditional upon the school district satisfying all of its obligations under the agreement.

Right to cancel agreement not required

The bill eliminates the current requirement that lease-purchase agreements grant school districts the right to cancel the agreement without penalty.

Joint vocational school districts authorized to use lease-purchase agreements

The bill authorizes joint vocational school districts to enter into lease-purchase agreements under the same terms as city, local, and exempted village school districts may enter into such agreements.

Property tax optional for acquiring facilities through installment purchase

(sec. 3317.37)

Currently, school boards are authorized to purchase land through various kinds of transactions, including by cash, installment payments, lease-purchase, and lease with an option to purchase. If the method of purchase involves making payments over a period of time, the period cannot be longer than five years, and the school board must levy, subject to voter approval, a property tax specifically to make the future payments.

The bill eliminates the requirement that school boards purchasing land levy a voter-approved property tax to make any future payments. Apparently, school boards could use another source of revenue to cover the payments, or use revenue from an existing tax levy.

School district petty cash accounts

(sec. 3313.291)

The bill permits school boards to create petty cash accounts for the purpose of allowing certain designated school officials to make purchases "within" the school district. Money can be drawn from the account by check or debit card. The account must be created by a resolution, and the resolution must specify the maximum amount of money that may be placed in the account, the officials authorized to use the account, and procedures and requirements for replenishing the account. In lieu of naming the officials who can use the account, the resolution may require the treasurer to designate who can use the account.

Advertisement of bids for school district facilities

(sec. 3313.46(A)(2))

Competitive bidding generally is required for school district capital improvement contracts costing \$25,000 or more. School boards currently are required to advertise for bids for these contracts once a week for four consecutive weeks not later than 15 days before the board receives bids.

Under the bill, bids must be advertised for at least two consecutive weeks before the board receives bids.

School district treasurers as chief fiscal officers

(sec. 3313.31)

Current law specifies that, with respect to school district moneys, the duties of public officials such as county treasurers and county auditors must be complied with "by dealing with" the school district treasurer.

The bill states that the school district treasurer is the chief fiscal officer of a school district, and is "responsible for the financial affairs of the district, subject to the direction of the school board." The bill also states that a school district treasurer cannot be required to verify the accuracy of nonfinancial information or data of the school district, unless otherwise provided by state law.

Deposit requirements for public moneys

(sec. 9.38)

Local public officials who receive public moneys currently are required to deposit the money once every consecutive 24-hour period, either with the treasurer of the appropriate public office or with the appropriate depository institution.

The bill permits public offices to adopt a policy permitting their officials who receive public moneys in amounts less than \$1,000 to hold the money for longer than 24 hours, but not longer than three business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy.

The policy must include provisions and procedures to safeguard the money during the intervening period. If a public office adopts such a policy, public officials of that office who receive public money in amounts less than \$1,000 can deposit the money within the time permitted by the policy, as long as the official could safeguard the money. If the amount received is more than \$1,000, or the money cannot be safeguarded, the public official must deposit the money on the business day following the date of receipt.

Designating depositories of public funds

(sec. 135.12)

Currently, subdivision authorities must designate the banks or other depositories in which the subdivision deposits its public funds. The designation must be made once every two years.

The bill extends the designation period to once every five years. But the bill permits subdivision authorities to change designated depositories within the five-year period if the authority determines that the depository is insolvent or is operating in an unsound or unsafe manner.

School district debt limit exception

(sec. 133.06(H))

School districts generally are prohibited from incurring debt in excess of 0.1% of the district's taxable property valuation, unless voters approve greater amounts of debt. The total of voted and unvoted debt generally may not exceed 9% of the district's taxable valuation.

Several kinds of debt are exempted in determining the amount of a district's allowable debt, including permanent improvement debt repaid with payments made to the school district as compensation for property tax exemptions granted by a subdivision. Specifically, debt is not counted toward the debt limit if the school district treasurer estimates that the compensation is sufficient to repay the debt, and certifies that the school district can fund the operation of the permanent improvements. The exception applies only if the school board confirms the treasurer's estimate and certification, and the Superintendent of Public Instruction approves the school board's confirmation.

The bill adds specific references to a number of statutes under which subdivisions grant property tax exemptions for which the subdivision may pay, or may be required to pay, compensation to school districts. Most of these references are indirectly covered under current law's reference to section 5709.82, and therefore no change in the substance of the law appears to result. However, the bill adds a reference to a statute (5709.081) that is not presently covered: this statute requires a municipal corporation to compensate school districts and other taxing districts for a property tax exemption granted for a public athletic facility.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-02-99	p. 241
Reported, H. Ways & Means	04-27-99	p. 471

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