



H.B. 781

123rd General Assembly
(As Introduced)

Reps. Flannery, Krupinski, Pringle, Ford, Britton, DePiero, Bender, Stevens, Distel, Patton, James, Verich, Gooding, Allen, Metelsky, Barnes, Barrett, Gerberry, Boyd, Jerse, R. Miller, J. Beatty, Smith, D. Miller, Ferderber, Sykes, Roberts, Sutton

BILL SUMMARY

- Revises the state's school funding system, by making changes to both the property tax system and the education funding formula.
- Provides for real property taxes levied by city, local, or exempted village school districts for current expenses to be reduced to a total of 20 mills in each district in 2001.
- Imposes a moratorium on school district ballot issues for current expense levies until 2003.
- Eliminates the 10% and 2.5% real property tax rollbacks beginning in tax year 2001.
- Reduces the school funding formula charge-off to 20 mills.
- Eliminates the separate calculation of state and local shares for base-cost and "categorical" funding, and provides instead that the state's share of a district's funding is the amount remaining after deducting the 20-mill charge-off from the sum of base-cost funding and funding for special education, vocational education, speech services, gifted education, DPIA, GRADS, and transportation.
- Requires the General Assembly to appropriate at least \$500 million each year to a new Common School Trust Fund, to be used to award grants to school districts to enhance the quality of education through such means as professional development, teacher recruitment, academic intervention,

distance learning, parental involvement, and special, vocational, and gifted education.

- Provides that to be eligible for an enhancement grant a district must spend less than 130% of the statewide average per pupil amount for the items included in the new funding formula.
- Provides that if sufficient funds are available in the Common School Trust Fund, up to \$5 million can be used each year to pay one-time stipends to districts that implement effective plans for management or academic improvement.
- Expands the Emergency School Building Repair Program to allow funding to be distributed to school districts in the 70 lowest-wealth percentiles that have a need to repair a building that is at least 50 years old.
- Requires the Superintendent of Public Instruction to establish an "academic performance improvement consultation team" for any school district in a state of academic emergency that has not shown academic improvement for five years.

CONTENT AND OPERATION

Overview

The bill's primary components are a reduction in school district real estate taxes for current expenses to 20 mills in 2001; a revision to the school funding formula to reduce the charge-off to 20 mills and require the state to pay the total amount of a district's base-cost and categorical funding remaining after subtracting the charge-off amount; and the elimination of the 10% and 2.5% real estate property tax rollbacks. The bill also calls for providing at least \$500 million per year in school district enhancement grants, expanding the Emergency School Building Repair Program, and creating special consulting teams for improving districts in long-term academic emergency status.

Reduction in school district real estate taxes

(R.C. 5705.17)

The bill provides for real property taxes levied by city, local, or exempted village school districts for current expenses to be reduced to a total of 20 mills in each district in 2001. The reduction is to be accomplished by reducing the rate of

each voted current expense or emergency levy in the district so that the rate resulting from the reduction bears the same ratio to the rate at which the tax is otherwise authorized to be levied as 20 mills per dollar of taxable value bears to the total of the rates of all the district's current expense and emergency levies (including both voted and inside millage).¹ The bill refers to the taxes that are reduced in 2001 as "reducible taxes." (If a district has fewer than 20 mills of voted current expense or emergency levies in 2001, it has no reducible taxes.) After 2001, each reducible tax continues to be subject to the bill's reduction in any year in which the tax is levied. The county auditor is to compute the rates of the reducible taxes each year, and the Tax Commissioner can issue instructions for the computation.

The rate reduction applies only to real property; no reduction is made to the rate at which a reducible tax is levied upon tangible personal property. For combination operating and capital improvement levies, only the part of the annual rate apportioned to current expenses is to be reduced. The board of education of each district is to incorporate the revenue decrease resulting from the rate reductions into its annual tax budget submitted to the county auditor, and a reducible tax cannot be levied on real property at any rate in excess of its reduced level.

Moratorium on school district ballot issues

(Section 8)

From the bill's effective date until December 31, 2002, the board of education of any city, local, or exempted village school district is prohibited from adopting a resolution to propose to the electors a new, replacement, or renewal property tax for current expenses that would apply to tax year 2002. After the moratorium expires, a board can adopt such a resolution, and the bill provides that the rate of tax proposed in the resolution applies uniformly to taxable real property and to taxable tangible personal property in the district.

Change to H.B. 920 calculation

(R.C. 319.301)

The H.B. 920 tax reduction factor law imposes a 20-mill "floor" that guarantees that a school district's total taxes charged and payable for current expenses cannot be less than 2% (that is, 20 mills) of the taxable value of all real property in the district, as long as the sum of the rates at which the district's taxes

¹ It appears that the language of the bill's formula for reducing taxes may need to be modified, because it falls short of a reduction to 20 mills if the district levies inside mills for current expenses.

are authorized to be levied is at least 20 mills. The bill provides that the amount used in this calculation for taxes charged and payable does not include taxes charged and payable from reducible taxes.

Elimination of tax rollbacks

(R.C. 319.302 and 323.152)

Under current law, taxes on all real property are reduced by 10% each year, and taxes on owner-occupied residences are further reduced by an additional 2.5%. The reductions are commonly referred to as the 10 and 2.5 percent rollbacks. The state reimburses each local taxing district for revenue losses caused by the rollbacks.

The bill eliminates the rollbacks beginning in tax year 2001. As a result of the elimination, property owners will owe the full amount of taxes levied on their property, and the state will no longer make reimbursement payments to local governments.

Funding formula revisions

(R.C. 3317.012, 3317.022, 3317.023, 3317.024, 3317.0212, 3317.0215, 3317.0216, 3317.161, and 3317.162; Sections 3 to 6)

Under the bill, the principal education funding program for each school district is divided between two tiers. Tier I consists of the traditional base-cost funding, which can be viewed as funding for primary expenses incurred by all school districts, such as teachers of basic curriculum courses, textbooks, janitorial and clerical services, administrative functions, and student support employees such as librarians and guidance counselors. The per pupil base cost formula amount continues to be based on the General Assembly's analysis of FY 1996 data for districts meeting all but one of the state's effectiveness standards, but the annual growth after FY 2001 will be the percentage increase in the Gross Domestic Product deflator, rather than a presumed 2.8% rate of inflation. The increases in the county "cost-of-doing-business factors" under current law continue to be phased in.²

Tier II, often called "categorical" or "add-on" funding, is money the state provides to address the special circumstances of a district or of some of its students. These additional categories include special education weighted costs, vocational education weighted costs, gifted education, disadvantaged pupil impact aid (DPIA), and transportation costs. The bill specifies that Tier II funding also includes grants

² R.C. 3317.02(N), not in the bill.

for districts that operate Graduation, Reality, and Dual-Role Skills programs for pregnant and parenting students (GRADS programs).

The formulas for calculating the *total* funding under Tier I and Tier II remain the same as under the current system. But the bill changes the calculation of state and local shares. Rather than determine the local share for base-cost funding and then determine individually the local shares for each add-on category, the total amount of a district's Tier I and Tier II funding is calculated for base-cost funding, special education funding, speech service funding, vocational education funding, gifted education funding, DPIA, GRADS, and transportation funding. From that sum is deducted the total local contribution, which is presumed to be 20 mills levied against the district's adjusted total taxable property valuation (compared to the 23-mill charge-off assumed under current law).

To compensate districts for the bill's reduction in property taxes, the bill guarantees that in any fiscal year each district will receive no less than the sum of its FY 2001 state funding (after application of the state cap) plus the amount by which its property tax revenues that year from reducible taxes are less than the amount generated by those levies in 2000, plus an adjustment for inflation. The inflation adjustment would equal the percentage increase in the Gross Domestic Product deflator since 2000 for all districts except the wealthiest 10%. For those districts, the inflation adjustment would be one percentage point for each year after 2000.

The bill repeals the current law "cap" on the amount of state funding a district may receive in FY 2002. In conjunction with lowering the charge-off to 20 mills, it also repeals (1) the "charge-off supplement" subsidy for school districts that do not raise enough local operating revenue to cover the 23-mill share of education spending that the state attributes to them in the base-cost formula, and (2) the "power equalization" subsidy to school districts that have an effective tax rate for operations above 23 mills but have below-average property valuation per pupil.

Enhancement Grants and other stipends

(R.C. 3317.30 and 3317.31)

The bill creates a third level of school district funding, consisting of grants from a newly created Common School Trust Fund. Under the bill, the General Assembly is required to appropriate at least \$500 million each year to the Fund.

Enhancement Grants

At least \$500 million from the Fund each year must be used for Enhancement Grants for individual school districts to help them improve their schools. School

districts that spend less than 130% of the statewide average of per pupil Tier I and Tier II funding amounts may apply to the Department of Education for these grants.

The bill specifies that the purposes for which Enhancement Grants may be awarded include:

- (1) Professional development for teachers and administrators;
- (2) Teacher recruitment;
- (3) Specialized educational programs;
- (4) Academic intervention or remediation;
- (5) Programs for at-risk youths;
- (6) Special education needs;
- (7) Summer and after-school enrichment programs;
- (8) Vocational education;
- (9) Programs for gifted students;
- (10) Preschool programs;
- (11) Distance learning and technology; and
- (12) Parental involvement initiatives.

To apply for a grant, a school district must submit a proposal explaining how the district intends to use any money it receives and how the money will enrich the quality of education offered in the district. The district also must indicate the accountability measures that will demonstrate improvement in the target areas. The Department of Education, in consultation with the Legislative Committee on Education Oversight, must select recipients for the grants and the amount each recipient is to receive. In awarding the grants, preference must be given to those districts that implement a greater percentage of the applicable 51 Best Practices recommended by the Auditor of State as conducive to sound district management and high academic achievement. Preference also must be given to districts that implement (or indicate a willingness to implement) any recommendations on specific practices or procedures the Auditor of State has made based on an audit of the district. Other criteria for selecting grant recipients include the degree to which the proposed use of funds serves a legitimate educational purpose, and the appropriateness of the accountability standards proposed by the district for measuring improvement.

The Department is to award grants for a period of one to five years, based on the amount of time required to adequately assess the outcome of the purposes for which the grant is made. When awarding the grant, the Department must indicate the accountability measures it will rely upon to evaluate the district's improvement. A grant can be renewed if the Department determines the district has demonstrated reasonable improvement.

Stipends

(R.C. 3317.32)

From any funds available in the Common School Trust Fund after awarding Enhancement Grants, up to a total of \$5 million must be used for one-time stipends as rewards to school districts that (1) develop innovative strategies for improving district operations or raising student academic achievement, or (2) significantly improve their showing on the school district performance standards. The Department of Education, in consultation with the Legislative Committee on Education Oversight, must select the districts to receive the stipends and determine the amounts of the awards. Preference in awarding the stipends must be given to districts that implement techniques that may be applied in other districts around the state. A district that receives a stipend may reapply for another stipend in any subsequent year.

Changes to the Emergency School Building Repair Program

(R.C. 3318.25)

The bill expands the Emergency School Building Repair Program. Under the program, the Ohio School Facilities Commission may provide moneys to the 292 lowest-wealth school districts to make repairs to life safety systems in school buildings. The bill adds a provision that permits the Commission to provide moneys for such repairs to districts in the 70 lowest-wealth percentiles (roughly 420 school districts) that need to repair a building that is at least 50 years old. Currently, the kinds of life safety items that districts can repair under the program include such things as heating systems, floors, roofs, fire alarms, and sewage systems. The bill specifies that districts also can repair electrical systems.

The bill requires the Commission to give priority for emergency assistance to districts that have relatively lower adjusted valuations per pupil compared to other districts that apply for assistance, and to districts that propose making repairs to buildings that are relatively older than those for which other districts propose repairs. In addition, the bill specifies that the Commission must set aside for the Emergency School Building Repair Program at least 5% of its annual capital appropriations.

Performance improvement teams

(R.C. 3302.09 and 3302.10)

The bill requires the Superintendent of Public Instruction to establish an "academic performance improvement consultation team" for each school district that is declared to be in a state of academic emergency and has not shown improvement in the last five years. The team must consist of teachers and administrators chosen by the Superintendent from comparable school districts that have demonstrated satisfactory academic performance or improvement, and at least one staff person from the Ohio School Facilities Commission. The team is required to review the academic programs, facilities, staff qualifications, and educational practices of the school district. If the Auditor of State has conducted a performance audit of the district, the team also must review the audit report. The team's other duties are to develop a new continuous improvement plan for the district and to recommend other means to achieve academic improvement. The team must report on its findings and recommendations to the parents of students enrolled in the district.

The Superintendent of Public Instruction is to select the chairperson of each team. The Department of Education must pay the actual and reasonable expenses incurred by a team and its members in the conduct of its business. Teams are appointed for unspecified periods of time, but cease to exist upon completion of their duties.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	09-26-00	pp. 2290-2291

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