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Bill Analysis
Legislative Service Commission

S.B. 272
123rd General Assembly
(As Introduced)

Sen. Cupp

BILL SUMMARY

- Phases-in an increased number of school districts that may participate in the School Building Assistance Expedited Local Partnership Program.
- Codifies the Exceptional Needs School Facilities Assistance Program and authorizes the Ohio School Facilities Commission to set aside up to 25% of its appropriations for the program.
- Requires the Ohio School Facilities Commission to propose legislation for a program to provide classroom facilities assistance money to joint vocational school districts.
- Authorizes optional sources of money for school districts to use in raising their respective shares of classroom facilities assistance projects in order to reduce the amount of bonds they otherwise must issue.
- Lengthens from ten years to 25 years the waiting period for previously served school districts to re-qualify for state classroom facilities assistance, but makes exceptions for (1) districts with "exceptional" enrollment growth and (2) districts served before May 20, 1997, whose percentile ranks later became eligible for state assistance.

CONTENT AND OPERATION

Background

Overview of Classroom Facilities Assistance Program

Under the Classroom Facilities Assistance Program, the state pays part of the costs of constructing classroom facilities for school districts.¹ Administered by the Ohio School Facilities Commission, the program is a graduated cost sharing program where the state and school district shares are based on the relative wealth of the district. Under this program, the poorest districts are served first and receive a greater amount of state assistance than the wealthier districts will receive when it is their turn to be served. A qualifying school district is responsible for paying its portion of the project with its own bond issue and an accompanying property tax levy to pay the annual service charges on those bonds.

In addition, a school district must levy a separate half-mill property tax for up to 23 years to pay for maintenance on the facilities constructed. However, the law also permits a school district board that has in place a continuing levy for on-going permanent improvements of at least two mills (where the proceeds may be used for maintenance) to earmark from the proceeds of that levy an amount the equivalent of the half-mill additional levy as a substitute for that levy.²

Release of the state's share of the project cost is subject to Controlling Board approval. The state's share of these cost-sharing projects is funded either with cash or with bonds issued by the state treasurer. The annual debt service on the state-issued bonds has been largely paid with lottery profits.³

¹ Under existing law, the term "classroom facilities" is defined as "rooms in which pupils regularly assemble in public school buildings to receive instruction and education and such facilities and building improvements for the operation and use of such rooms as may be needed in order to provide a complete educational program, and may include space within which a child day-care facility or a community resource center is housed" (R.C. 3318.01(B)).

² If a school district has an adjusted valuation per pupil above the statewide median, the proceeds from the district's half-mill tax must be divided evenly between maintenance of the facilities and payments to the state (R.C. 3318.05 and 3318.06).

³ The Ohio Constitution earmarks all the lottery profits for the support of elementary, secondary, vocational, and special education subject to appropriations of the General Assembly. The statute implementing this provision provides that the first \$10 million of lottery profits be devoted to school building assistance bond service. (R.C. 3770.06, not

Calculation of the wealth of a district

The Department of Education is required to annually calculate the adjusted valuation per pupil of each district, rank order each district from lowest to highest, and divide the districts into percentiles. The Department must also annually calculate the *three-year average* adjusted valuation per pupil of each district and rank order the districts into percentiles based on those figures. The Department is then required to report these calculations to the Ohio School Facilities Commission. The Commission is required to use the *three-year average* adjusted valuation per pupil figures and resulting percentile ranks to determine a district's eligibility for assistance.

District share

A district's share of the basic project cost is the *greater* of two figures, both based on the wealth of the district. The district's share is either:

(1) An amount that increases the "net bonded indebtedness" of the school district to within \$5,000 of its "required level of indebtedness."⁴ The required level of indebtedness for districts in the first percentile is 5% of valuation. For districts in a subsequent percentile, the required level of indebtedness is calculated under the following formula:

in the bill.) The General Assembly annually has also appropriated additional funds both from lottery profits and the GRF to pay the annual service on state-issued bonds for classroom assistance.

⁴ *The law defines the "net bonded indebtedness" of a school district as the difference between:*

(1) The sum of the par value of all outstanding and unpaid bonds and notes of the district, any amounts the district is obligated to pay under a lease-purchase agreement under Revised Code section 3313.375 (not in the bill), and the par value of bonds authorized by district voters but not yet issued and which may be used for the classroom facilities project; and

(2) The amount held in the sinking fund and other indebtedness retirement funds of the district.

However, (1) notes issued for the purchase of school buses, (2) notes issued in anticipation of the collection of current revenues, (3) bonds issued to pay final judgments, and (4) indebtedness arising from the acquisition of a site for classroom facilities project are not included in the calculation of "net bonded indebtedness." (R.C. 3318.01(F), not in the bill.)

$$.05 + .0002[(\text{the percentile in which the district is ranked}) - 1].^5$$

(2) An amount equal to the district's "required percentage of the basic project cost." The required percentage of the basic project cost is calculated under the following formula:

$$.01(\text{the percentile in which the district is ranked}).^6$$

The law further provides that the district's share of the project cost (based on either the district's existing net bonded indebtedness or its required percentage as described above) will be frozen for one year from the date that the Controlling Board approves the project. Thus, if there is any change in the district's wealth pending voter approval of the district bond issue and tax levies within that year's time, these changes will not affect the district's share.

Donated local contribution as part of local share

(R.C. 3318.084)

The bill permits a school district board to apply any local donated contribution toward the district's share of the basic project cost and thus reduce the amount of bonds the district otherwise must issue under the Classroom Facilities Assistance Program. Under the bill, "local donated contribution" means money irrevocably donated or granted to the district by some source other than the state, any cash the district has on hand, or any irrevocable letter of credit issued on behalf of a school district. Any local donated contribution must be placed in the school district's project construction fund. The application of cash or a letter of credit must be approved by the Ohio School Facilities Commission in consultation with the Department of Education.

⁵ For instance, the required level of indebtedness for a district in the 11th percentile would be 5.2% (or $.05 + .0002(10) = .052$); the required level of indebtedness for a district in the 50th percentile would be 5.98% (or $.05 + .0002(49) = .0598$); and the required level of indebtedness for a district in the 100th percentile would be 6.98% (or $.05 + .0002(99) = .0698$).

⁶ For instance, the required percentage of the project costs for a district in the 11th percentile would be 11% (or $.01(11) = .11$); the required percentage of the project costs for a district in the 50th percentile would be 50% (or $.01(50) = .50$); and the required percentage of the project costs for a district in the 100th percentile would be 100% (or $.01(100) = 1.00$).

Waiting period for additional classroom facilities assistance

(R.C. 3318.04(B))

Under current law, a project is disqualified for state funding if both (1) the project includes the reconstruction of, or the making of additions to, any classroom facilities that were constructed, acquired, reconstructed, or added to as part of a project that previously received funding under the Classroom Facilities Assistance Program, and (2) the prior project was one for which the voters of the district approved a levy within the last ten years for purposes of qualifying for the state funding of that project. That is, after a school district is approved for classroom facilities assistance from the state, it must wait for at least ten years before it may receive state assistance again. Current law allows no exceptions to this requirement.

The bill lengthens the waiting period to 25 years, but establishes two exceptions.

Exception for school districts served under former law whose percentile ranks become eligible to be served under current program

(R.C. 3318.04(B)(2))

The bill provides an exception to the waiting period for certain school districts that received assistance prior to May 20, 1997. On that date, Am. Sub. S.B. 102 of the 122nd General Assembly became effective. That act revised the Classroom Facilities Assistance Program and established the Ohio School Facilities Commission to administer it. Under previous versions of the program, administered by the Department of Education, school districts were not ranked by wealth and were not eligible for districtwide assessment of their needs. Assistance under those versions often did not meet all the needs of a district. The bill authorizes the Commission to provide assistance to up to five pre-S.B. 102 districts each fiscal year if the percentile rank of those districts has become eligible for assistance under the current Classroom Facilities Assistance Program, until all such districts have received the additional assistance.

Exception for growing districts

(R.C. 3314.04(B)(1))

A second exception to the 25-year wait is for districts able to demonstrate to the School Facilities Commission's satisfaction that they have experienced "an exceptional increase in enrollment above the district's design capacity under that prior project as determined by rule of the Commission." Such a district

presumably could re-qualify for assistance even if its percentile rank is not eligible to be served, although that is not clear.

Changes in the Expedited Local Partnership Program

(R.C. 3318.021 and 3318.36)

Background

The School Building Assistance Expedited Local Partnership Program permits the Ohio School Facilities Commission each year to enter into agreements with up to five school districts in the 20th to 40th wealth percentiles that are not yet eligible for state assistance under the Classroom Facilities Assistance Program. Under an agreement, these districts may apply the expenditure of local resources for the construction of classroom facilities toward the school district's portion required when the district is eligible for such state assistance. The Commission is required to assess the classroom facilities needs of participating districts, selected in the order in which they adopt resolutions certifying their intent to participate in the new program. The district then may expend any local resources, including the proceeds of bonds, on any discrete part of the district's needs that is either new construction, additions, or major repair. If the district later becomes eligible under the Classroom Facilities Assistance Program, the Commission then must reassess the needs of the district and recalculate the district's total basic project cost, adding in the amount spent by the school district under the Expedited Local Partnership Program. The school district may then deduct the amount expended under the Expedited Local Partnership Program from its local share required under the Classroom Facilities Assistance Program.

The bill

The bill specifies the following schedule for increasing the number of school districts that may participate in the program:

- In calendar year 2001, up to 10 new school districts may participate;
- In calendar year 2002, up to 15 new school districts may participate;
- In calendar year 2003, up to 20 new school districts may participate;
- In calendar year 2004 and in each year thereafter, up to 30 new school districts may participate.

In addition, the bill provides that in calendar year 2005 and each year thereafter, districts in the 20th to 50th percentiles are eligible for the program.

The bill also eliminates statutory language that requires the Commission to consider school districts in the order in which they adopt their resolutions of intent to participate in the program and submit them to the Commission. Instead, the bill requires the Commission to establish application procedures, deadlines, and priorities for accepting applications.

Codification of the Exceptional Needs School Facilities Assistance Program

(R.C. 3318.37)

Another special needs program was authorized in the capital appropriations act passed by the 122nd General Assembly. In that act, the General Assembly appropriated \$30 million for a pilot project to fund new facilities in "low wealth" districts that have "exceptional need for immediate assistance" to protect the health and safety of students, and that are not expected to be served by the Classroom Facilities Assistance Program before June 30, 2002.⁷

The bill codifies this program and authorizes the Ohio School Facilities Commission to set aside up to 25% of the money annually appropriated to it for classroom facilities assistance for assistance under the program.

Proposal for assistance to joint vocational school districts

(R.C. 3318.311)

Within six months of its effective date, the bill requires the Commission to present to the Speaker of the House, the President of the Senate, and the Governor proposed legislation for providing classroom facilities assistance to joint vocational school districts.

⁷ Section 26 of Am. Sub. H.B. 850 of the 122nd General Assembly, as amended by Am. Sub. H.B. 282 of the 123rd General Assembly.

HISTORY

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Introduced	03-20-00	p. 1519

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