



John Rau

## *Bill Analysis*

*Legislative Service Commission*

### **S.B. 239**

124th General Assembly  
(As Introduced)

**Sens. Mead, Goodman, Randy Gardner, Robert Gardner, Harris, Hottinger, Jacobson, Mumper, Fingerhut, Herington, Shoemaker**

---

#### **BILL SUMMARY**

- Prescribes a manner in which a school district board may obtain specific voter approval to issue bonds for a state-assisted school facilities project in more than one series.
- Authorizes a school district board to issue bonds for a state-assisted school facilities project for a term of up to the number of years permitted under the Uniform Public Securities Law (generally up to 30 years) instead of a maximum of 23 years as under current school facilities assistance law.
- Authorizes a school district board to combine a ballot measure under a state-assisted school facilities project with other bond issue and tax levy measures for permanent improvements and certain operating expenses.

---

#### **CONTENT AND OPERATION**

##### **Background**

State law authorizes several programs to help school districts construct, repair, or renovate school buildings. The main program is the Classroom Facilities Assistance Program (CFAP), which is intended to eventually permit all districts to receive state money to address all of their facilities needs in a single project.<sup>1</sup> It is a graduated, cost-sharing program where a school district's priority for funding and its portion of the cost of its project are based on the relative wealth of the district.

---

<sup>1</sup> *The Classroom Facilities Assistance Program is generally codified in R.C. 3318.01-3318.20 (not all sections in the bill).*

Lower-wealth districts are served first and receive a larger percentage of their total needs than wealthier districts will receive when it is their turn to be served.

There are other programs designed to meet the special needs of certain districts. The Exceptional Needs School Facilities Assistance Program provides money to districts in the 50 lowest-wealth percentiles to construct a new facility needed to protect the health and safety of students on the same cost-sharing basis as under CFAP.<sup>2</sup> Under the Accelerated Urban School Building Assistance Program, the six remaining "Big-Eight" districts that have not yet received assistance under CFAP may begin applying for assistance in July 2002.<sup>3</sup> This program essentially permits those districts to begin their projects earlier than they otherwise would be able to under CFAP. Finally, under the School Building Assistance Expedited Local Partnership Program, most districts that have not already been served under CFAP may enter into agreements with SFC permitting them to apply the expenditure of school district money on approved parts of the respective districts' needs prior to their eligibility under CFAP toward their respective portions of their CFAP projects when they finally become eligible for that program.<sup>4</sup>

Generally, to participate in these programs, a district board, with voter approval, must issue bonds backed by a property tax to pay its portion of the cost of the project and must levy an additional property tax of one-half mill for 23 years to generate moneys to pay for maintenance of the newly acquired facilities. Recent legislation provides other options that the district may use to generate money to meet its obligations under the programs, including (among others) the use of donated moneys, credit for certain previously issued bonds to construct facilities, and the dedication of certain existing taxes to leverage new bonds.

### **Terms of bonds**

(R.C. 3318.06(B) and 3318.362)

Under current law, the terms of any bonds issued for a state-assisted school facilities project may not extend beyond 23 years (except for a project under the Expedited Local Partnership Program). On the other hand, under the more general Uniform Public Securities Law (Chapter 133.), subdivisions (including school

---

<sup>2</sup> R.C. 3318.37 (not in the bill).

<sup>3</sup> R.C. 3318.38 (not in the bill). The six districts to which this program applies are Akron, Cincinnati, Columbus, Cleveland, Dayton, and Toledo.

<sup>4</sup> R.C. 3318.021, 3318.36, 3318.361 (the preceding sections are not in the bill), and 3318.362.

districts) may issue bonds for the acquisition of real property for terms of up to 30 years in each issue.<sup>5</sup>

The bill provides that school districts undertaking a state-assisted project may issue bonds for the project for terms up to 30 years, as permitted under the Uniform Public Securities Law.

**Combination of ballot questions**

(R.C. 3318.056, 3318.06(D), and 3318.062(C))

To participate in a state-assisted school facilities program (except for the Expedited Local Partnership Program), a district board must adopt a resolution proposing to issue bonds to pay for the district's portion of the project cost and to levy a 23-year, one-half mill property tax to pay for maintenance of the facilities.<sup>6</sup> The law prescribes the form of the ballot that must be presented to the voters.<sup>7</sup> Currently, a district board may not combine the questions specified in that ballot form with any other ballot questions not directly associated with the district's state-assisted project.<sup>8</sup>

The bill permits a district to combine those ballot questions with the following ballot questions:

- (1) A general obligation bond issue question under the Uniform Public Securities Law (R.C. 133.18);
- (2) A property tax levy question (R.C. 5705.21);
- (3) A combined bond issue and tax levy question (R.C. 5705.218);

---

<sup>5</sup> R.C. 133.20 (not in the bill). The Expedited Local Partnership Program already permits the issuance of bonds for up to the 30-year limit specified in R.C. 133.20 (R.C. 3318.362).

<sup>6</sup> A district participating in the Expedited Local Partnership Program may raise its local resources to acquire facilities in districts participating in the Classroom Facilities Assistance Program and other lawful ways, such as bonds or notes issued under the Public Securities Law or school district property tax levies. R.C. 3318.05 (not in the bill).

<sup>7</sup> R.C. 3318.06(C).

<sup>8</sup> The law does permit combining the question of acquiring a site for a state-assisted classroom project with the question of issuing bonds or levying a tax to pay for acquisition of the site (R.C. 3318.06(D)).

(4) A school district income tax question (R.C. 5748.08).<sup>9</sup>

The combined ballot proposals must be for the purpose of either permanent improvements in general, operating revenue for the facilities that are acquired under the district's state-assisted project, or both.

**Specifying that bonds will be issued in more than one series**

(R.C. 3318.04, 3318.06, 3318.061, and 3318.062)

When any subdivision of the state proposes the issuance of bonds to the voters, the ballot question presumes that the bonds will be issued in only one series (that is, all at one time). That presumption is used by the county auditor in estimating the average tax rate needed to pay the debt service on the bonds over the life of the debt. In practice, however, bonds generally may be issued in more than one series. The tax rate needed to retire each series and to retire the total issue generally will be less than the rate estimated by the auditor and shown on the ballot, because a subdivision's taxable property valuation tends to increase over time; the later series, therefore, require lower rates to raise the amount needed to cover the debt service.

The bill permits, but does not require, a school board, when proposing the issuance of bonds for a state-assisted school facilities project, to propose the actual number of series of bonds that will be issued (up to five), the amount to be issued in each series, and the approximate date each series will be issued. The county auditor, then, is required to estimate the tax rate needed to retire each series of bonds issued.<sup>10</sup> If a school board elects to propose a bond issuance through such a ballot measure, and the measure is approved by the voters, the district board may not issue the bonds any sooner than the schedule specified on the ballot.

---

<sup>9</sup> None of the referenced sections are in the bill. Under R.C. 133.01(CC), a "permanent improvement" is any property, asset, or improvement having an estimated life or period of usefulness of 5 or more years, and includes, but is not limited to, real estate, buildings, and personal property, equipment, furnishings, and site improvements, and reconstruction, rehabilitation, renovation, installation, improvement, enlargement, and extension of property, assets, or improvements having an estimated life or period of usefulness of 5 or more years.

<sup>10</sup> The substantive changes to make this provision effective are in R.C. 3318.06(B) and (C) and 3318.062.

---

## HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	02-19-02	p. 1478

S0239-I.124/jc

