



John Rau

## *Bill Analysis*

Legislative Service Commission

### **H.B. 418**

125th General Assembly  
(As Introduced)

**Reps. Wolpert, Peterson, Raga, Schaffer, G. Smith, Trakas**

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#### **BILL SUMMARY**

- Permits certain school districts experiencing high growth in student enrollment to receive assistance under the Classroom Facilities Assistance Program earlier than they otherwise would be eligible.
- Exempts high-growth school districts from the requirement to levy a tax for maintenance of classroom facilities acquired with state assistance.
- Reduces to 90% the maximum school district share of the cost of any project under the Classroom Facilities Assistance Program (from 95% under current law).

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#### **CONTENT AND OPERATION**

##### **Background**

The Ohio School Facilities Commission administers several programs that provide state assistance to school districts and community schools in the acquisition of classroom facilities. The main program, the Classroom Facilities Assistance Program (CFAP), is designed to provide each city, exempted village, and local school district with partial funding to address on a district-wide basis all of the district's classroom facilities needs.<sup>1</sup> It is a graduated, cost-sharing program where a district's portion of the total cost of the project and priority for funding are based on the district's relative wealth. Under this program, the poorest districts are served first and receive a greater amount of state assistance than wealthier districts will receive when it is their turn to be served.<sup>2</sup> As the General Assembly

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<sup>1</sup> *Joint vocational school districts are served by a similar, but not identical, program designed to address the specific needs of those districts.*

<sup>2</sup> *The wealth of a school district is determined by calculating the "adjusted valuation per pupil" of each school district, where a district's taxable valuation per pupil is modified by*

appropriates funding for CFAP, the School Facilities Commission determines which districts are next in line (as they are rank ordered by wealth percentile) and allocates that funding based on the districts' needs and relative shares. From fiscal year 1998 through fiscal year 2003, the Commission had approved 107 districts for participation in CFAP.

**Priority for high-growth school districts**

(R.C. 3318.043; conforming change in R.C. 3318.023)

The bill provides an exception from the general rule that priority for funding is based on a school district's relative wealth. Under the bill, certain high-growth districts may receive assistance upon application to the Commission rather than waiting until the districts' wealth percentiles are in line for funding. To qualify for this early assistance, a district must meet all of the following criteria:

(1) The district has not previously received assistance under CFAP;

(2) During the five consecutive fiscal years immediately prior to the year in which the district seeks to begin receiving assistance, the district experienced an average increase in its formula ADM, as reported for state operation funding purposes, of at least 200 students per year;<sup>3</sup>

(3) During the 15 consecutive fiscal years immediately prior to the year in which the district seeks to begin receiving assistance, the district's voters approved one or more tax levies dedicated to the acquisition of classroom facilities at a cumulative rate of not less than five mills.<sup>4</sup> (See **COMMENT.**)

A district's portion of the cost of its project would still be based on its wealth percentile (up to 90%), and the project would proceed in the manner as otherwise provided under the CFAP law.

If the School Facilities Commission determines, however, that it does not have sufficient funds in any fiscal year to fund the projects of all of the districts

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*a factor of the income of the taxpayers of the district. Then all districts are rank ordered from lowest to highest adjusted valuation per pupil and are placed in percentiles. Generally, lower percentile districts are served before higher percentile districts.*

<sup>3</sup> *Formula ADM is the "average daily membership" (or number of enrolled students) of the district on a full-time equivalency basis reported as attending during the first full week of October (R.C. 3317.02(D)(1) and 3317.03(A) and (D), neither section in the bill).*

<sup>4</sup> *These five mills of taxation may include levies dedicated to pay the district's annual debt service on bonds issued to finance the acquisition of classroom facilities.*

qualified for assistance under the bill that apply, the Commission must select from among those districts in the order of their respective average annual increases in formula ADM. The district having the highest average annual increase is to be given the highest priority for assistance.

**Maintenance tax requirement**

(R.C. 3318.043(C); conforming changes in R.C. 3318.05, 3318.06, 3318.062, and 3318.08)

Besides raising funds to pay its portion of the cost of its project, a school district receiving assistance under CFAP (and most other programs administered by the School Facilities Commission) must raise an additional amount earmarked for the maintenance of the facilities acquired. Each district must levy with voter approval an additional tax of one-half mill for 23 years or must generate an equivalent amount through some other authorized alternative means. For example, a district may use donated funds or funds it receives from other public sources to pay all or part of its maintenance obligation under CFAP. It might also dedicate a portion of an existing permanent improvement levy or an income tax levy to generate the required amount.<sup>5</sup>

The bill exempts a high-growth school district that receives assistance under its new provisions from the requirement to levy a tax for, or to otherwise generate moneys dedicated to, the maintenance of the classroom facilities acquired under the district's project. But the bill also specifies that the district is obligated under continuing law to maintain the facilities in accordance with a plan approved by the School Facilities Commission.<sup>6</sup> In addition, the district must have a capital and maintenance fund and make annual deposits into the fund as otherwise required for all school districts under existing law.<sup>7</sup>

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<sup>5</sup> R.C. 3318.052 and 3318.084, neither section in the bill.

<sup>6</sup> R.C. 3318.08(Q) specifies that the agreement between the School Facilities Commission and a school district must include a provision requiring the district to maintain the facilities in accordance with a Commission-approved plan.

<sup>7</sup> R.C. 3315.18 and 3315.181 (neither section in the bill) require all school districts (including joint vocational school districts) to establish and maintain capital and maintenance funds. In general, each district annually must deposit into its capital and maintenance fund an amount that is not less than 3% of the per pupil formula amount under the operations funding formula for the previous fiscal year times the number of students enrolled in the district during the previous fiscal year. The formula amount for fiscal year 2004 is \$5,058 and for fiscal year 2005, is \$5,169 (R.C. 3317.012, not in the

### Maximum school district share

(R.C. 3318.032)

Under current law, for most districts, the portion of the project cost that a district must pay under CFAP is 1% times its percentile wealth ranking. Thus, a district ranked in the 15th percentile would pay 15% of the cost of the project and the state would pay 85%. (For some districts, the district portion is based on the district's existing debt where relative wealth is also a factor.) However, the maximum amount a school district must pay for its portion of the cost of its CFAP project is capped at 95%.

The bill reduces that maximum amount to 90% of the total cost for all projects under CFAP.<sup>8</sup>

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### COMMENT

In recent years, some smaller programs have been established to address the particular needs of certain districts. One of these programs is the Accelerated Urban School Facilities Assistance Program. It provides early CFAP assistance to the state's six large urban school districts that were not served under CFAP prior to July 1, 2002. That program provides assistance to Akron, Cincinnati, Cleveland, Columbus, Toledo, and Dayton.<sup>9</sup> Currently, those districts receive priority for funding over most other CFAP districts.

Other districts that also receive this priority are the following:

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*bill). The fund may be used to pay the cost of maintenance and construction of facilities regardless of whether the district receives state assistance for facilities acquisition.*

<sup>8</sup> *The total cost of a district's project under CFAP and the other state facilities assistance programs is called the "basic project cost" (R.C. 3318.01(L), not in the bill). It is based on an assessment of the district's needs conducted by the Commission compared with specifications established in the Commission's design manual. A district may acquire items that do not meet the Commission's specifications as long as only district money is used to pay the cost of those items. These items (often called "local initiatives") are not included in the basic project cost. The cost of a site for new facilities, if needed, also is not included in the basic project cost.*

<sup>9</sup> *Youngstown and Canton, the other "Big-Eight" school districts, had already received service under CFAP by that date.*



(1) Districts in the Exceptional Needs School Facilities Assistance Program (for single buildings within low-wealth districts and "large land area" (300 square miles or more) districts to address health and safety issues);

(2) Districts that had been approved for assistance previously but that were not able to secure voter approval of the necessary tax levies and bond issues at that time; and

(3) Certain districts served before May 20, 1997, that did not receive district-wide service.

The bill adds the high-growth districts described in the bill to this list of districts that receive priority for funding.<sup>10</sup>

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## HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-02-04	p. 1654

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<sup>10</sup> R.C. 3318.023.