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126th General Assembly

(As Introduced)

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BILL SUMMARY

- Specifies a new method of calculating a school district's share of the cost of a state-assisted classroom facilities project for certain school districts with both relatively high per-pupil property valuations and relatively low median incomes that weights the districts' incomes higher than under the current law.
- Requires the Ohio School Facilities Commission to use the new method to recalculate the school district share of projects of affected districts already begun under the Accelerated Urban School Building Assistance Program and the School Building Assistance Expedited Local Partnership Program.

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 or construction 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 all of the district's classroom facilities needs. 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. 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. Wealth is determined by calculating the three-year average "adjusted valuation per pupil" of each school district, where a district's taxable valuation per pupil is modified by a factor of the income of the district's taxpayers. 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. As the General Assembly appropriates funding for CFAP, the 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.¹

Other programs have been established to address the particular needs of certain types of districts. For example, the Accelerated Urban School Facilities Assistance Program provides early CFAP assistance to the state's six large urban school districts that were not served under CFAP prior to July 1, 2002: Akron, Dayton, Cincinnati, Cleveland, Columbus, and Toledo.² Under a third program, the Exceptional Needs School Facilities Assistance Program, low-wealth districts and "large land area" districts may receive assistance in advance of their district-wide CFAP projects to construct single buildings in order to address acute health and safety issues.³ Finally, under the Expedited Local Partnership Program, most school districts that have not been served under CFAP may enter into agreements permitting them to apply the advance expenditure of *district* money on approved parts of their district-wide needs toward their shares of their CFAP projects when they become eligible for that program.⁴

The total cost of a district's project under these programs (called the "basic project cost") 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 total cost of those items. These items (often called "local initiatives") are not included in the basic

¹ *CFAP is codified in R.C. 3318.01 through 3318.20, not all sections in the bill. Joint vocational school districts are served by a similar, but not identical, program (see R.C. 3318.40 through 3318.46, none in the bill).*

² *R.C. 3318.38. Canton and Youngstown, the other "Big-Eight" school districts, had already received service under CFAP by that date.*

³ *R.C. 3318.37. For purposes of this program, a "low-wealth district" is one with an adjusted valuation per pupil that is at or below the statewide median, and a "large land area district" is one with a territory of greater than 300 square miles regardless of wealth.*

⁴ *R.C. 3318.36.*

project cost. The cost of a site for new facilities, if needed, also is not included in the basic project cost.

For most districts, the portion of the basic project cost that a district must pay is 1% times its percentile wealth ranking (based on the district's three-year average adjusted valuation per pupil). 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, a school district's portion of the basic project cost is capped at 95%.

New method for calculating the school district share of the project cost for districts with relatively high valuations and relatively low median incomes

The bill prescribes a new method of calculating a school district's share of the cost of a state-assisted classroom facilities project for certain school districts with a combination of relatively high per-pupil property valuations and relatively low median incomes. The new method gives greater weight to those districts' lower incomes, thereby reducing the percentage they otherwise would have to contribute by issuing bonds, levying a tax, or using other resources, and increasing the state's share of their project costs.

The bill does not affect the order in which districts become eligible for funding, which would continue to be determined by a district's relative three-year average adjusted valuation per pupil.⁵

Affected districts

(R.C. 3318.038(A))

The new method of calculating a school district's share of the basic project cost applies only to districts that have relatively high valuations and relatively low median incomes. Specifically, the bill applies the new method to any city, exempted village, or local school district for which all of the following conditions are satisfied:

- (1) The district's median income is less than the statewide median;
- (2) The district's "total taxable value per pupil" is greater than the statewide median;⁶

⁵ R.C. 3318.039(E).

(3) The district has a formula ADM greater than 150 students;⁷ and

(4) The district has not received assistance under CFAP, *unless* that assistance was under the Accelerated Urban Program, the Expedited Local Partnership Program, or the Exceptional Needs Program.

The district's share of the basic project cost for all other school districts is to be calculated as under current law.⁸

Calculation of a school district's portion

(R.C. 3318.01(M)(2), 3318.038(B), and 3318.039(A))

The bill's new method of calculating an affected district's share is like a sliding scale: the greater the disparity between its median income and its per-pupil property valuation, the more its lower income, and the less its higher property valuation, is weighted in the formula. Conversely, affected districts with relatively smaller disparity between income and valuation still will have their shares adjusted downward, but their incomes will be weighted less and their valuations weighted more in the calculation.

Under the bill, an affected district's share of the basic project cost is the lesser of that amount calculated under current law or the product of the "weighted percentage" times the basic project cost. In order to compute this "weighted percentage" the bill prescribes the following series of related computations:⁹

⁶ *The bill defines "total taxable value per pupil" as a district's taxable value of real property, public utility real property, and tangible personal property (including public utility tangible personal property) divided by the district's formula ADM. (R.C. 3318.036(B).) The "statewide median total taxable value per pupil" is the median total taxable value per pupil of all city, exempted village, and local school districts. (R.C. 3318.036(C).)*

⁷ *"Formula ADM" is the number of full-time equivalent students reported by the district as attending school in the district during the first full week in October.*

⁸ *The district portion of the basic project cost for other districts under current law is codified in R.C. 3318.032. (See also R.C. 3318.01(M).)*

⁹ *As under current law, the computations are made by the Department of Education, based on tax data supplied by the Department of Taxation, and submitted to the School Facilities Commission. The Department must make the bill's calculations by September 1 each year.*

Adjusted median income. First, the bill prescribes the calculation of "adjusted median income" for each affected district as follows:

If the "district median income" is	The district's "adjusted median income" equals
Greater than \$28,000	The district median income
At least \$26,000 but less than \$28,000	The district median income X 0.85
At least \$24,000 but less than \$26,000	The district median income X 0.75
At least \$22,000 but less than \$24,000	The district median income X 0.60
At least \$20,000 but less than \$22,000	The district median income X 0.50
At least \$18,000 but less than \$20,000	The district median income X 0.40
Less than \$18,000	The district median income X 0.30

Consequently, affected districts whose median incomes are less than \$28,000 have their median incomes adjusted further downward before the figure is inserted into the formula.

Adjusted median income to per pupil valuation ratio. Second, to measure the degree of disparity between the adjusted median income and property valuation, the bill prescribes the calculation of the "adjusted median income to per pupil valuation ratio" for each affected school district according to the following formula:

$$\text{Adjusted median income} \div \text{total taxable value per pupil}$$

Rank ordered multiples. Third, the bill prescribes the rank ordering of the affected districts from lowest to highest according to the "adjusted median income to per pupil valuation ratios" and dividing that ranking into seven roughly equal-sized groups of sequentially ranked districts. The first group is to contain the districts with the lowest ratios among the ranking, and the seventh group is to contain the highest ratios among the ranking. The bill, then, prescribes determining the following "multiples" for each of the seven groups:

	Multiple A	Multiple B
1st group	0.70	0.30
2nd group	0.60	0.40
3rd group	0.50	0.50
4th group	0.40	0.60
5th group	0.30	0.70
6th group	0.20	0.80
7th group	0.10	0.90

"Multiple A" will be applied as a weight to the district's income, and "Multiple B" will be applied as a weight to the district's per pupil property valuation. The first group, having the most relative disparity between adjusted median income and per pupil valuation, has the greatest weight applied to income and the smallest weight applied to property value. The seventh group, having the least relative disparity between adjusted median income and per pupil valuation, has the smallest weight applied to income and the greatest weight applied to property value.

Income percentiles and per pupil valuation percentiles. Fourth, the bill prescribes the separate calculation of the "income percentile" and "per pupil valuation percentile" of *each* city, exempted village, and local school district--*not* just those districts affected by the bill.

A district's "income percentile" is determined by rank ordering all districts from lowest to highest according to "district median income" and dividing the ranking into percentiles, with the first percentile containing the 1% of school districts having the lowest district median incomes and the 100th percentile containing the 1% of school districts having the highest district median incomes.¹⁰

To determine a district's "per pupil valuation percentile," the bill prescribes the similar rank ordering of all districts from lowest to highest according to total taxable value per pupil and dividing the ranking into percentiles.¹¹

Weighted percentage. Finally, the bill prescribes the calculation of each affected district's "weighted percentage" according to the following formula:

¹⁰ R.C. 3318.036(D) and 3318.037(A).

¹¹ R.C. 3318.036(E) and 3318.037(B).

(Multiple A x income percentile)
+ (multiple B x per pupil valuation percentile)

An affected district's portion of the basic project cost is the weighted percentage times the basic project cost or, if it is lower, the amount calculated for the district under current law. And, as under current law, a district's portion of the basic project cost cannot exceed 95% of that cost.¹²

Recalculation of certain affected districts' portions

Accelerated Urban Program districts

(R.C. 3318.038(A)(4), 3318.039(D), and 3318.38)

If an affected district has undertaken a project under the Accelerated Urban Program prior to the bill's effective date, the School Facilities Commission must recalculate the district's share of the basic project cost and amend its agreement with the district to reflect the recalculation. If, as a result of the recalculation, the district has more district money set aside for the first segments of its project than it will need for those segments because the recalculated state share of the total project is larger, the bill authorizes the district to apply those excess resources toward future segments. (Presumably, in the case of bond and tax proceeds, operation of this authority will depend upon whether application of those proceeds to future segments is also implicitly or explicitly permitted by the bond issue and tax levy ballot language approved by the district's voters.)

Expedited Local Partnership Program districts

(R.C. 3318.039(B) and 3318.36)

Similarly, if an affected district has undertaken a project under the Expedited Local Partnership Program prior to the bill's effective date, the Commission must recalculate the school district share of the basic project cost and amend its agreement to reflect the recalculation. Since all of the resources dedicated under that program are local resources spent in anticipation of future state funding under CFAP, the recalculation should not change the timing of or amount dedicated to any project segments. But it likely will result in a larger state portion of a district's total CFAP project, thus, necessitating the expenditure of less school district money for that project.¹³

¹² R.C. 3318.039(F).

¹³ Current law requires that the school district share of certain Expedited Local Partnership Program districts affected by changes in electric utility taxation law enacted

No recalculation of affected Exceptional Needs Program districts' portions

(R.C. 3318.039(C) and 3318.37)

In the case of an affected district that received assistance under the Exceptional Needs Program prior to the bill's effective date, the bill directs that the School Facilities Commission *not* recalculate the district's share of the basic project cost for any facility already acquired under that program, but that the school district's share of the basic project cost of any additional facilities acquired under that program or under CFAP must be calculated with the new method.

HISTORY

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Introduced	05-05-05	p. 757

H0242-I-126.doc/jc

in 1999 (as a part of electric utility deregulation) be computed using a single-year adjusted valuation per pupil instead of the three-year average adjusted valuation per pupil, as applied to other districts. The bill specifies that these provisions no longer apply to districts affected by the bill's provisions. (R.C. 3318.363.)

