

Note to Members

The School Facilities Commission portion of the LBO Analysis of HB 640 is based on provisions contained in a draft version of the bill. Those provisions were not included in the “As Introduced” version of the bill. Attached to this sheet is an updated version of the analysis that reflects the current provisions of the bill.

(SFC) SCHOOL FACILITIES COMMISSION

Public School Building Fund	\$186,000,000
School Building Program Assistance Fund	\$417,200,000
Total – All Funds	\$603,200,000

PUBLIC SCHOOL BUILDING FUND (021)

CAP-622	Public School Buildings (Statewide)	Renovation/ Replacement	\$171,000,000
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These monies are from available cash balances and appropriations and provide the state share of basic project costs to those school districts having received the approval of the School Facilities Commission (SFC) pursuant to Chapter 3318. of the Revised Code. Eligibility and priority for a district receiving state assistance is determined by the relative wealth of the district as measured through its adjusted valuation per pupil and the need to replace classroom facilities as assessed by SFC. Under a provision in the bill, the School Facilities Commission cannot commit more than \$93 million of the total appropriation for the Public School Buildings Fund until within thirty days after June 30, 2000.

CAP-783	Emergency School Building Assistance Program (Statewide)	Other	\$15,000,000
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The bill creates a new program under the School Facilities Commission that would set aside \$15 million to fund projects in school districts whose needs arise from an unforeseeable natural disaster. Funding would be provided to eligible districts regardless of wealth and limited to the amount necessary to cover the difference between the actual cost of repairs and the amount of repairs not covered through any insurance or other private or public proceeds received by the district.

SCHOOL BUILDING PROGRAM ASSISTANCE FUND (032)

CAP-770	School Building Program Assistance (Statewide)	Renovation/ Replacement	\$417,200,000
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These monies are generated from the sale of bonds and provide the state share of basic project costs to those school districts having received the approval of the School Facilities Commission pursuant to Chapter 3318. of the Revised Code. Eligibility and priority for a district receiving state assistance is determined by the relative wealth of the district as measured through its adjusted valuation per pupil and the need to replace classroom facilities as assessed by SFC. Under a provision in the bill, the School Facilities Commission **cannot commit more than \$207**

million of the total appropriation for the Public School Building Program Assistance Fund until after June 30, 2001.

Classroom Facilities Assistance Program - State and Local Share:

Under the program, a qualifying school district is generally responsible for financing a portion of the project with its own bond issue and tax levy and must contribute the greater amount yielded by the following formulas:

a) the amount necessary to increase the net bonded indebtedness of the school district to within \$5,000 of its required level of indebtedness. Depending on the district's adjusted valuation per pupil, the required level of indebtedness is determined as follows:

RANK ACCORDING TO DISTRICT'S VALUATION PER PUPIL	REQUIRED LEVEL OF INDEBTEDNESS AS A PERCENTAGE OF VALUATION
First Percentile	5%
Subsequent Percentiles	$.05 + .0002 [(percentile\ rank) - 1]$

b) the district's required percent of the basic project cost. Depending on the district's percentile ranking in terms of relative wealth as measured by the adjusted valuation per pupil, the required percent of the local share of the basic project cost is computed as follows:

$$\text{Local Share} = .01 \times (\text{District Percentile Rank})$$

Two Examples

Two examples are provided below to demonstrate calculation of the local share and the amount two specific districts would be required to pay.

Example A – Wheelersburg Local School District

The Wheelersburg Local School District is located in Scioto County with an adjusted valuation per pupil of \$54,148 ranking it 132nd in the state and placing it in the 22nd percentile. The district's total assessed valuation is \$102,089,260.

District	Wheelersburg Local School District
County	Scioto
Total Assessed Valuation	\$102,089,260
Estimated Cost of Facilities Upgrade	\$27.0 million

Local Share Equals the Greater of:

a) required level of indebtedness:	5.4% of assessed valuation	\$5.5 million
b) required percentage of program cost:	22% of project costs	\$5.9 million

Example B – Alexander Local School District

The Alexander Local School District is located in Athens County with an adjusted valuation per pupil of \$57,096, ranking it 159th in the state and placing it in the 26th percentile. The district's total assessed valuation is \$108,806,644.

District	Alexander Local
County	Athens
Total Assessed Valuation	\$108,806,644
Estimated Cost of Facilities Upgrade	\$29.1 million

Local Share Equals the Greater of:

a) required level of indebtedness:	5.5% of assessed valuation	\$6.0 million
b) required percentage of program cost:	26% of project costs	\$7.6 million

While both districts detailed in the examples above would be responsible for a local share based on the percentage of project costs, both examples assume that cost estimates released by the School Facilities Commission as part of its spending allocation plan are accurate. In the event, district facility needs are lower than stated here, there comes a point at which the greater local share would be generated using the required level of indebtedness method. This is tied to the fact that as the basic project cost increases so does the likelihood that the local share would be determined using the required percentage of program cost method. Since the dollar amount provided by a district would increase proportionately with the overall cost of the project, the relationship between project size and the method of calculating the local share, thus acts as a built in incentive for districts to hold down costs.

Use of ½ Mill Maintenance Levy

Prior to the enactment of Amended House Bill 748 of the 121st General Assembly, districts receiving state assistance under the Classroom Facilities Assistance Program were required to levy a ½ mill property tax for a period not to exceed 23 years. Revenue generated by the ½ mill property tax levy were then used by the district to pay back what was viewed as a state loan. If the state loan to the district was not retired from the revenue generated by the levy over the 23 years, the outstanding balance of the loan was then forgiven. While districts continue to be required to levy the ½ mill property tax levy, those at or below the statewide median in terms of its adjusted valuation per pupil have been permitted to retain the ½ mill for use in maintaining the new classroom facilities. For those districts above the statewide median, half of the ½ mill, or ¼ mill, is to be paid to the state with the other ¼ mill used to maintain the classroom facilities paid for under the program.

Priority List

Currently, a district's priority in receiving state assistance for school building projects under the Classroom Facilities Assistance Program (CFAP) is determined by the district's adjusted valuation per pupil and the assessed need for improving or replacing classroom facilities. Table 1 lists 40 districts that have yet to receive state assistance and that based on adjusted valuation per pupil are next in line to be considered for state assistance in repairing, renovating, or replacing

existing facilities. The last district included in Table 1 is Galion City School District in Crawford County, which is ranked 138th in terms relative wealth as measured by adjusted per pupil valuation (\$54,632).

Table 1 – Next Round of Districts		
County	District	Adjusted Valuation Per Pupil
Huron	Western Reserve Local	\$51,200
Putnam	Ottoville Local	\$51,450
Preble	Preble-Shawnee Local	\$51,576
Mahoning	West Branch Local	\$51,689
Putnam	Jennings Local	\$51,771
Mercer	Fort Recovery Local	\$51,814
Clark	Springfield City	\$51,815
Lorain	Clearview Local	\$51,849
Pike	Waverly City	\$51,891
Wayne	Northwestern Local	\$51,907
Portage	Southeast Local	\$51,961
Trumbull	Newton Falls Exempted Village	\$52,005
Montgomery	New Lebanon Local	\$52,161
Paulding	Paulding Exempted Village	\$52,335
Sandusky	Gibsonburg Exempted Village	\$52,357
Trumbull	Bristol Local	\$52,513
Williams	Edon-Northwest Local	\$52,564
Paulding	Wayne Trace Local	\$52,602
Knox	Centerburg Local	\$52,675
Ashland	Mapleton Local	\$52,798
Lorain	Lorain City	\$52,883
Wood	Elmwood Local	\$52,976
Perry	Northern Local	\$53,020
Scioto	Portsmouth City	\$53,290
Ashtabula	Pymatuning Valley Local	\$53,508
Champaign	Mechanicsburg Exempted Village	\$53,852
Williams	Millcreek-West Unity Local	\$53,904
Henry	Holgate Local	\$53,946
Allen	Allen East Local	\$53,980
Darke	Ansonia Local	\$53,999
Williams	Montpelier Exempted Village	\$54,042
Lawrence	Ironton City	\$54,053
Wyandot	Mohawk Local	\$54,141
Scioto	Wheelersburg Local	\$54,148
Trumbull	Bloomfield-Mespo Local	\$54,227
Jackson	Jackson City	\$54,308
Highland	Hillsboro City	\$54,395
Fulton	Pike-Delta-York Local	\$54,498

Clinton	East Clinton Local	\$54,567
Crawford	Galion City	\$54,632

Based on the last round of construction projects funded through the School Facilities Commission, the average state share for a project was approximately \$25 million. While it is questionable as to whether this amount will remain constant throughout the life of the projects in the above districts, assuming it were, up to 19 districts could be funded with the non-earmarked (see Exceptional Needs and Revisit of 1990 Districts) appropriations provided in the bill. However, if the \$462.8 million appropriated in Amended Substitute Senate Bill 192 (Tobacco Settlement Distribution) for is taken into account, the total amount appropriated would be nearly \$1.1 billion, which based upon the average state share discussed above, would fund another 18 districts.

Local Share Option

The bill amends existing law to permit school districts to pursue options for raising the local share of basic project costs other than the traditional method of issuing bonds supported by a new tax levy. Specifically, the bill would permit districts to use the proceeds from any of the following sources to support their local share of basic project costs: 1) an existing general ongoing improvements levy; 2) proceeds from a school district income tax; 3) ending year operating balances; 4) local donations; or 5) a combination of any of the above. The bill further specifies, that no state dollars shall be released for the project until the proceeds of any bonds supported by any of the above are deposited into the district's project construction fund.

Exceptional Needs Pilot Project

The bill continues funding of a pilot program created in Amended Substitute House Bill 850 of the 122nd General Assembly and continued in Amended Substitute House Bill 850 of the 123rd General Assembly by permitting SFC to set aside up to twenty percent of moneys appropriated to it to assist low wealth school districts, that would not be served in through the Classroom Facilities Assistance Program prior to June 30, 2002 with urgently needed classroom facility improvements. These moneys could then be distributed to eligible districts under guidelines developed by SFC in consultation with education and construction experts. Based on the \$588.2 million in appropriations recommended for CFAP over the next two years, up to \$117.6 million could be set aside to assist qualifying low wealth, exceptional needs districts. Currently, seven districts are participating in the Exceptional Needs Pilot Project carrying out projects totaling \$128.7 million with a total state share of \$88.6 million (an average of \$12.7 million per district).

Table 2 – Current Exceptional Needs Districts			
<i>District</i>	<i>County</i>	<i>State Share</i>	<i>Total Costs</i>
Ansonia Local	Darke	\$10.3 million	\$12.8 million
Central Local	Defiance	\$6.4 million	\$8.9 million
Steubenville City	Jefferson	\$8.4 million	\$11.6 million
Morgan Local	Morgan	\$19.9 million	\$26.9 million
Westfall Local	Pickaway	\$6.5 million	\$13.0 million
Mansfield City	Richland	\$29.1 million	\$41.5 million

Niles City	Trumbull	\$8.1 million	\$14.0 million
Total		\$88.6 million	\$128.7 million

Spending Overview

Despite the fact that the bill creates and amends a number of School Facilities Commission programs, the fiscal impact of most of the change will not be realized during this biennium. With the exception \$15 million for the newly created Emergency School Building Assistance Program, appropriations in the bill follow the model set forth in Amended Substitute House Bill 850 of the 122nd General Assembly, with the bulk of appropriations provided for two items (CFAP and Exceptional Needs). Table 3 provides a breakdown of spending contained in the bill.

Table 3 – Spending by Program		
<i>Program</i>	<i>Appropriation</i>	<i>Percent of Total</i>
CFAP	\$470.6 million	78.0 percent
Exceptional Needs	\$117.6 million	19.5 percent
Emergency Assistance	\$15.0 million	2.5 percent
Total	\$603.2 million	100.0 percent

Accelerated Urban Building Assistance

The bill would make considerable changes to the treatment of the six major urban school districts not yet eligible for service under CFAP by requiring that the School Facilities Commission to begin the assessments of their facilities in fiscal year 2001. After the preparation of their district plans in conjunction with the Commission, these districts could begin accessing state dollars in the next biennium. As a result these changes, these six districts, whose rank on the equity list currently ranges from 218 (Toledo) to 498 (Cincinnati) would begin to have their facilities addressed several years ahead of schedule. As addressed briefly above, since these districts would not be permitted to access state dollars prior to July 1, 2002, these provisions do not effect the appropriations contained in this bill.

Permit Phased-In Projects for Urban Districts

In addition to addressing these six districts earlier, the bill also contains provisions that would permit their projects to be carried out in phases. In so permitting these projects to be completed in phases, the bill would also permit the districts to receive phased-in voter approval of their local shares thereby relieving them of the current requirement to receive approval for the entire local share at one time. After the approval of the first phase, state funding for subsequent phases would not be provided until local voter approval for that phase were received. The bill further specifies that the length of the ½ mill approved for maintenance would not last longer than twenty-three years after the last phase of the project is approved.

Expedited Local Partnership Plan

Established in Amended Substitute House Bill 282 of the 123rd General Assembly, the Expedited Local Partnership Plan currently permits the School Facilities Commission to annually

assess up to five districts in the twentieth to fortieth percentiles (districts 122 to 244). These districts may then enter into an agreement with the Commission to carry out a “discrete” portion of an agreed upon facilities plan with local resources, with the local resources expended counting toward the local share of basic project costs once the district becomes eligible for participation in the regular Classroom Facilities Assistance Program (CFAP).

The bill would amend the existing program by changing the range of districts eligible from the twentieth to fortieth percentiles to those in the fiftieth percentile and above (districts 306 through 611). In addition to changing what districts would be eligible, the bill expands to ten the number of such districts that may participate in the program annually.

No Guarantee of State Dollars

In the case of both the existing and proposed program, no state dollars (aside from those spent assessing the district’s needs) can be committed to a district’s project prior to full participation in CFAP. In the event a district expends local resources through its participation in the Expedited Local Partnership Plan, those resources will count toward the overall local share for purposes of CFAP only when the district comes up with the local share for the remainder of the district wide plan. In the event that district voters reject committing the additional local resources necessary to carry out the full district-wide plan, no reimbursement would be received for the portion of the project already completed with local monies.

Twenty Year Moratorium and Revisit of Districts from 1990 List

Under current law, any district receiving funding through CFAP is prohibited from receiving additional state monies for a period of at least ten years. In light of the fact that districts participating in CFAP since 1998 have received a comprehensive overhaul of their facilities, the bill would extend the moratorium on additional state monies to twenty years, with an exception for those districts that can demonstrate to the satisfaction of the Commission that they have experienced exceptional increases in enrollment that are significantly above the design capacity of their facilities.

The bill also permits the School Facilities Commission to visit and assess up to five of the forty-four districts cited in a 1990 report by the Department of Education as having the greatest facilities need (see appendix for listing of 1990 districts). While many of the districts that participated from the 1990 list did not receive a comprehensive upgrade of their facilities, they have been prohibited by way of the current ten-year revisit provision, from receiving additional state dollars. As proposed in the bill, in order to be eligible for a revisit, a district’s percentile ranking cannot exceed that of the districts currently being served under CFAP.

Joint Vocational School Districts

While no specific appropriations are included, the bill contains codified language establishing a program and methodology for prioritizing and calculating the state and local share of funding the construction and renovation of the state’s forty-nine joint vocational school districts (JVSD). Under the plan, JVSD’s would be ranked in a manner similar to the equity list used to prioritize and determine the state and local share of costs under the Classroom Facilities Assistance

Program (CFAP). Specifically, the bill would apply a formula calculated in the following manner:

1. The percentile ranking of each school district within a JVSD, in order to reflect the relative adjusted property wealth ranking for each component school district, is determined from the equity list used under CFAP.
2. The percentile ranking of each school district within a JVSD is then weighted based on the percentage of total valuation that that district comprises. For example, if a district constitutes fifty percent of the total valuation with a JVSD, the district's percentile is weighted at fifty percent.
3. The average of the weighted percentiles for each JVSD generates a JVSD percentile ranking that represents the percentage share of project costs that each JVSD must contribute.

In order to participate in the program, JVSD's would have to adhere to CFAP guidelines and a new design manual specifically developed for JVSD's would be required to clarify what would and would not be funded by the state. Under the provisions of the bill, funding for vocational education spaces would be provided, while funding for vocational equipment would not.

Five Percent Floor

The bill amends existing law to specify that the state share of basic project costs would never be less than five percent. Based on current estimates, a total of thirty-four districts would benefit from setting the minimum state share of basic project costs at five percent. Due to the time frame for serving these districts, no additional costs to the state should be incurred during the 2001-2003 capital biennium.

**School Facilities Commission
Appendix 1**

1990 Building Assistance Project Updates

School District	County	Project Status	Local Share	State Share	Total Project Cost
Berne Union Local	Fairfield	Completed	\$ 4,080,000	\$ 6,120,000	\$ 10,200,000
Botkins Local	Shelby	Completed	\$ 750,000	\$ 2,623,010	\$ 3,373,010
Bristol Local	Trumbull	Under Construction	\$ 2,781,220	\$ 6,750,515	\$ 9,531,735
C.R. Coblenz Local	Preble	Completed	\$ 3,509,440	\$ 8,690,560	\$ 12,200,000
Canal Winchester	Franklin	Completed	\$ 4,740,000	\$ 3,816,425	\$ 8,556,425
Cardington-Lincoln Local	Morrow	Completed	\$ 2,495,000	\$ 2,109,763	\$ 4,604,763
Crestview Local	Columbiana	Completed	\$ 3,780,000	\$ 9,428,500	\$ 13,208,500
Crestview Local	Richland	Completed	\$ 3,155,500	\$ 4,344,507	\$ 7,500,007
Crestview Local	Van Wert	Completed	\$ 1,842,693	\$ 7,045,607	\$ 8,888,300
Dawson Bryant Local	Lawrence	Completed	\$ 2,420,791	\$ 12,098,781	\$ 14,519,572
East Clinton Local	Clinton	Completed	\$ 3,800,000	\$ 15,588,800	\$ 19,388,800
Eastern Local	Brown	Completed	\$ 3,340,000	\$ 9,130,000	\$ 12,470,000
Eastern Local	Meigs	Completed	\$ 1,455,000	\$ 7,295,000	\$ 8,750,000
Fayetteville-Perry Local	Brown	Completed	\$ 505,000	\$ 8,374,000	\$ 8,879,000
Federal Hocking Local	Athens	Completed	\$ 1,118,500	\$ 8,759,000	\$ 9,877,500
Felicity-Franklin Local	Clermont	Completed	\$ 1,350,000	\$ 7,240,928	\$ 8,590,928
Franklin Local	Muskingum	Completed	\$ 5,302,987	\$ 7,978,096	\$ 13,281,083
Graham Local	Champaign	Under construction	\$ 7,735,000	\$ 9,465,403	\$ 17,200,403
Granville Exempted Village	Licking	Completed	\$ -	\$ 4,484,343	\$ 4,484,343
Highland Local	Morrow	Completed	\$ 2,616,000	\$ 5,800,000	\$ 8,416,000
Nelsonville-York City	Athens	Completed	\$ 2,730,000	\$ 8,266,334	\$ 10,996,334
Newton Falls EV	Trumbull	Completed	\$ 5,631,785	\$ 2,418,468	\$ 8,050,253
Northridge Local	Licking	Completed	\$ 9,112,344	\$ 6,074,896	\$ 15,187,240
Northwest Local	Scioto	Completed	\$ 2,800,850	\$ 15,549,150	\$ 18,350,000
Norwalk City	Huron	Did not pass bond issue	\$ -	\$ -	\$ -
Olmsted Falls City	Cuyahoga	Completed	\$ 10,500,000	\$ 8,654,439	\$ 19,154,439
Pickerington Local	Fairfield	Under Construction	\$ -	\$ 6,780,000	\$ 6,780,000
Preble-Shawnee Local	Preble	Under Construction	\$ 3,692,900	\$ 3,949,000	\$ 7,641,900
Reynoldsburg City	Franklin	Under Construction	\$ 3,900,000	\$ 6,189,300	\$ 10,089,300
Ripley-Union-Lewis	Brown	Completed	\$ 3,120,359	\$ 7,064,641	\$ 10,185,000
South Central Local	Huron	Completed	\$ 2,005,000	\$ 5,650,865	\$ 7,655,865
Southern Local	Meigs	Pre-construction	\$ 4,042,000	\$ 5,768,988	\$ 7,693,800
Southern Local	Perry	Completed	\$ 1,710,075	\$ 7,922,465	\$ 9,632,540
Symmes Valley Local	Lawrence	Completed	\$ 1,570,969	\$ 8,799,031	\$ 10,370,000
Twin Valley Community	Preble	Completed	\$ 3,644,370	\$ 13,216,582	\$ 16,860,952
Union Local	Belmont	Completed	\$ 3,952,236	\$ 15,682,436	\$ 19,634,672
Valley Local	Scioto	Completed	\$ 2,260,235	\$ 12,549,765	\$ 14,810,000
Vinton County Local	Vinton	Under Construction	\$ 5,101,188	\$ 11,041,812	\$ 16,143,000
Washington-Nile Local	Scioto	Completed	\$ 3,009,935	\$ 19,463,065	\$ 22,473,000
Waynesfield-Goshen Local	Auglaize	Completed	\$ 260,000	\$ 2,340,000	\$ 2,600,000
Western Local	Pike	Completed	\$ 1,044,935	\$ 7,511,400	\$ 8,556,335
Williamsburg Local	Clermont	Completed	\$ 4,240,000	\$ 7,962,852	\$ 12,202,852
Wilmington City	Clinton	Under Construction	\$ 8,441,900	\$ 1,995,346	\$ 10,437,246
Zane Trace Local	Ross	Under construction	\$ 5,258,573	\$ 7,887,858	\$ 13,146,431
		Total	\$144,806,785	\$339,881,931	\$482,571,528