

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: **H.B. 262**

DATE: **June 19, 1997**

STATUS: **As Introduced**

SPONSOR: **Rep. Haines**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **For three school districts, establishes a pilot project to provide state funding for the total costs of instruction and instructional materials and establishes one collective bargaining unit for all teachers in the three districts**

State Fiscal Highlights

STATE FUND	FY 1999	FY 2000	FUTURE YEARS
General Revenue Fund			
Revenues	-0-	-0-	-0-
Expenditures	Potential increase of several \$millions	Potential increase of several \$millions	Potential increase of several \$millions (for duration of project)

- State GRF expenditures could increase by several millions of dollars, depending on which school districts participate in the pilot project. An illustrative example yields an increase of approximately \$10 million in each year.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1999	FY 2000	FUTURE YEARS
School districts: state funds			
Revenues	Potential gain of several \$millions	Potential gain of several \$millions	Potential gain of several \$millions
Expenditures	Potential increase of several \$millions	Potential increase of several \$millions	Potential increase of several \$millions
School districts: local funds			
Revenues	Potential reduction	Potential reduction	Potential reduction
Expenditures	Potential savings	Potential savings	Potential savings

- Participating school districts could potentially receive significantly more state funds than they currently do. These funds would defray the increased expenditures incurred by the project.
- The additional state funds could potentially decrease the districts' need to expend local funds, thereby decreasing their need for local operating revenues. Therefore, the districts might be able to reduce those revenues.



Detailed Fiscal Analysis

The bill's provisions: state funds

The bill would require the State Board of Education to adopt rules by which the Superintendent of Public Instruction would conduct a pilot project, under which the state would provide funds for teaching and other specific purposes to each of three school districts in lieu of the state funding that the school districts would have received under current law.

The pilot project would begin on July 1, 1998. Any school district would be eligible to participate in the project, provided that its collective bargaining agreement with teachers expires on June 30, 1998 and the district has not entered into another such agreement.

The bill would require the Superintendent of Public Instruction to select three districts for the project, one from each of the following three ADM categories:

- 2,000 or less,
- more than 2,000 but not more than 5,000; and
- more than 5,000 but not more than 10,000.

Under the project, the Department of Education would provide the funds to meet each district's actual costs of employing teachers, providing special and vocational education, and obtaining instructional materials. These funds would be provided in lieu of the funds the department would have provided under Chapter 3317. of the Revised Code. Specifically, each district in the pilot project would receive the following funds:

- (1) The district's actual costs, under the collective bargaining agreement, for the employment of teachers in the ratio of one to each 25 full-time-equivalent enrolled students in the district who are not receiving special or vocational education services, and one for each 50 kindergarten students;
- (2) the district's actual costs to provide special education and related services to each student requiring such services under Chapter 3323. of the Revised Code;
- (3) the district's actual costs to provide vocational education to students in any vocational program operated by the district before the pilot project begins or approved by the Department of Education after the pilot project begins; and
- (4) a per-pupil amount for instructional materials based on a per-pupil amount established by the department in light of available appropriations.

The bill would also preclude the department's making deductions from state funding to the pilot districts for (a) inter-district open-enrollment costs for students from the pilot districts who attend schools in other districts; (b) tuition payments when the districts' children are educated outside the districts; and (c) payments for students enrolled in the post-secondary enrollment options program. Further, the bill would require the department to pay, from state funds appropriated for project purposes, amounts due to other school districts or colleges for open enrollment, post-secondary enrollment options, or tuition payments.

The teachers of all three districts would be consolidated into a single collective bargaining unit and the State Board of Education would become the teachers' employer for purposes of collective bargaining. A collective bargaining agreement would not be allowed to prohibit the district from giving a teacher additional pay or benefits (e.g., pay for performance).

The state superintendent would be permitted, at the request of a district's board of education, to terminate the contract of any teacher or reduce the number of teachers the district employs; further, he may transfer teachers from one pilot project district to another.

The bill's provisions: local funds

The bill would require each pilot district to use local funds to pay for all other district expenses that would not be paid for with state funds provided under the pilot project. Since state funding would pay for most teacher and instructional materials costs, local funds would be used for administrative costs, educational service personnel, maintenance, and other general operating expenses of the district.

Fiscal effects: an example

Districts most likely to benefit financially from participating in the pilot project are those that currently receive most of their funding from local sources. (Thus, these districts might be more motivated to volunteer for the project.) Consider an example of one such district.

Lockland City School District in Hamilton County has an ADM of less than 2,000 and currently receives only a small proportion (12 percent) of its total funding from state sources. Additional data used for this example are as follows:

- Lockland's total enrollment for the 1995-96 school year was 926.
- For purposes of the example, it is assumed that eight percent of Lockland's students (74 students) are enrolled in special education and/or vocational education programs. Subtracting this number from the total, 852 students would not receive special or vocational education services.
- Assuming approximately equal numbers of students in each grade level, each level would have approximately 66 pupils. Thus, to employ one classroom teacher for every 25 students, and one teacher for every 50 kindergarten students, the district would have to employ two kindergarten teachers, and three teachers per grade in grades one through 12, for a total of 38 teachers.
- The average teacher salary in the district is currently approximately \$39,944. With fringe benefits approximated at 29% of salary, total salary and fringe compensation for each teacher would amount to \$51,528. Thus, total salary and fringe costs for the 38 teachers would be \$1,958,064.
- Assuming that approximately eight special and/or vocational education units would be needed for the remaining 74 students, with an estimated actual unit cost of \$60,000, then an additional \$540,000 would be indicated.
- Also, assuming a \$50 per pupil cost for instructional materials, an additional \$46,200 would be needed.

Thus, the total amount of state funds needed for Lockland CSD would be \$2,544,264. The district received \$468,948 from the state in school year 1995-96 (counting SF-12 funds only). If the district participated in the pilot project, it could gain approximately \$2.1 million in additional state revenues per year, as long as the pilot project remained in operation.

The following table illustrates the potential costs to the state to fund Lockland CSD and two other sample school districts with the ADMs specified in the bill. All of the districts shown in the example currently receive more from local sources than from state sources, and would therefore benefit financially from participating in the pilot project. Of course, it is possible that districts that might not benefit financially from the project would still want to participate.

Amount of state funds required by three sample districts under H.B. 262			
School District	Lockland City (Hamilton)	Buckeye (Jefferson)	Middletown (Butler)
Total ADM, autumn 1995	924	2781	9766
Spec./voc. education pupils (@ 8 % of total)	74	222	781
Students not in spec. or voc. education	850	2559	8985
Number of pupils assumed in each grade level	65	197	691
Number of teachers needed	38	100	350
Average teacher salary	\$ 39,944	\$ 33,308	\$37,182
Average benefits (@ 29%)	\$ 11,584	9,659	\$ 10,783
Salary and benefits per teacher	\$ 51,528	\$ 42,967	\$ 47,965
Total salary and benefits costs	\$ 1,958,064	\$ 4,296,700	\$16,787,750
Number of students in spec. or voc. ed.	74	222	781
Number of units required (@ 9 pupils/unit)	9	25	87
Estimated actual cost of one unit	\$ 60,000	51,000	55,500
Estimated costs for spec. and voc. ed	\$ 540,000	\$ 1,275,000	\$ 4,828,500
Estimated instructional materials:			
Per-pupil cost	\$50	\$50	\$50
Total amount for instructional materials	\$ 46,200	\$ 139,050	\$ 488,300
Total project funds required by district	\$ 2,544,264	\$ 5,710,750	\$22,104,550
State funds totals			
Funds currently received by district (SF-12)	\$ 468,948	\$ 4,365,018	\$15,634,526
Net additional state funding required	\$ 2,075,316	\$ 1,345,732	\$ 6,470,024

Thus, if these three districts were chosen for the pilot project, the additional cost to the state would be the sum of the three bottom lines, or approximately \$9.89 million. Note that, in this case, the proportion of additional state funding that each district would need (vs. the amount of SF-12 funds it currently receives) varies among the three districts: Lockland would require the highest proportionate increase (443% more funds), followed by Middletown (41%) and Buckeye (31%). These differences in proportionate additional funding follow, at least in part, from the

differences in proportionate state revenues received by the districts. In FY 1996, Lockland received 17% of its revenues from the state; Middletown, 40%; and Buckeye, 38%.

The bill does not specify how long the pilot project would continue. If the project were to continue for a number of years, a pilot district's board of education might choose to reduce the amount of local millage, especially if the district would receive significant amounts of additional state revenue.

Costs to the Department of Education

The Department of Education would incur increased expenditures to conduct the collective bargaining negotiations for the three districts, as well as other administrative expenditures. The amounts of these expenditures could vary widely and are considered indeterminate.

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