Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **Sub. H.B. 650** DATE: **January 30, 1998**

STATUS: **In Senate Finance** SPONSOR: **Rep. Johnson**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Makes Fiscal Year 1999 GRF appropriations to the various line items within the Department of Education's budget; reduces Fiscal Year 1999 appropriations to most state agencies by three percent with several exceptions; transfers FY 1998 ending year balances to the School District Solvency Fund and the School Building Assistance Fund; makes appropriations to several agencies contingent upon the passage of an increase in the sales tax.**

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Income Tax Reduction Fund			
Revenues	- 0 -	$200 million loss	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
School District Solvency Fund			
Revenues	-0-	$30 million gain	-0-
Expenditures	-0-	-0-	-0-
School Building Assistance			
Revenues	-0-	$170 million gain	-0-
Expenditures	-0-	-0-	-0-

- Makes Fiscal Year 1999 GRF appropriations totaling $5,232,994,667 to the Department of Education, a 6.80% increase over FY 1998 appropriations. This amount is also $98,849,075 greater than the FY 1999 GRF appropriation in Am. Sub. H.B. 215, in which the majority of the Department of Education's budget was merged in a single line item.

- Reduces General Revenue Fund appropriations for FY 1999 by three percent, except appropriations to the Department of Education, the Ohio School for the Blind, the Ohio School for the Deaf, the Office of Information, Learning and Technology, the School Facilities Commission, appropriations for specific purposes including debt service and property tax allocation appropriations, several particular line items, most appropriations to the Board of Regents, which are reduced one half of one percent, appropriations to the departments of Mental Retardation and Developmental Disabilities, Youth Services, and Rehabilitation and

Correction, which are reduced by two percent, appropriations to the departments of Taxation and Mental Health and various small agencies, which are reduced one percent, and appropriations to Medicaid, which the Director of Budget and Management may reduce up to one percent.

- Transfers the first $30 million of FY 1998 ending year balances that would otherwise go to the Income Tax Reduction Fund to the School District Solvency Fund and up to $170 million to Fund 021, School Building Assistance, with $30 million of this amount to be used to assist equity district with emergency repairs.

- Changes funding for special education and vocational education so that these students are counted in the average daily membership count rather than in units. In addition to being counted as one FTE student in the basic aid formula, special education students are weighted to reflect the additional costs of providing services to the students. Gifted students (10% of ADM) are weighted at an additional 0.1. Vocational students receive no additional weights.

- Districts will count extremely high cost special education students at an additional weight of 3.01. In addition, if a district's cost for these students exceeds $25,000, the district will be able to submit documentation of its costs to the Superintendent of Public Instruction. The Department of Education would pay the district an amount equal to the district's costs for the student in excess of $25,000 times the district's state share percentage.

- Changes funding for Disadvantaged Pupil Impact Aid (DPIA) and bases funding on where the district's percentage of TANF students is in relation to the statewide average, or DPIA index. Districts above the statewide average receive funding for all day kindergarten, class size reduction, and a supplement for security and remediation.

- Provides a new method of funding student transportation using a statistical model that determines the most efficient cost for each district.

- Phases out Equity aid over three years, as the foundation level is increased.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
School Districts			
Revenues	- 0 -	- $98.8 million increase -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

- An additional $98,849,075 over the FY 1998 appropriation, (the bulk of which was lump summed into one line item) is appropriated to the Department of Education. The additional amount is to be distributed to school districts.

Detailed Fiscal Analysis

FY 1999 Appropriations to the Department of Education

The bill makes GRF appropriations totaling $5,232,994,667 to the Department of Education in FY 1999. The FY 1999 appropriations represent a 6.8% increase over FY 1998 GRF levels for the department. The GRF appropriation for FY 1999 is also $98,849,075 greater than the FY 1999 GRF appropriation in Am. Sub. H.B. 215, in which the majority of the Department of Education's budget was merged in a single line item.

New Line Items

The bill adds several new line items to the Department's budget, with the following appropriations, as follows:

New Line Item	FY 1999 Appropriation
200-410 Professional Development	$ 29,649,944
200-540 Special Education Enhancements	$136,286,490
200-545 Vocational Education Enhancements	$170,298,314
200-549 Charge-off Supplement*	$ 11,000,000
200-547 Power Equalization*	$ 12,500,000
200-610 Base Cost Funding	$666,093,028
200-687 School District Solvency Assistance*	$ 30,000,000

**New purposes. All others represent rearrangement of current line items.*

Professional Development

This new line item is a combination of the following six line items: 200-417 Professional Development; 200-423, Teacher Recruitment, 200-429, Local Professional Development Block Grant, 200-541, Peer Review, 200-542, National Board Certification, and 200-543, Entry Year Programs.

Special Education Enhancements

The line item contains funding for special education units at MR/DD boards and institutions, special education aides, preschool education, and the earmarks previously included in line item 200-504, Special Education.

Vocational Education Enhancements

Moneys in this item will be used to fund vocational units at Joint Vocational School Districts, special education units at Joint Vocational School Districts, vocational units at institutions, the career plan and passport program, vocational education equipment, and the earmarks previously included in line item 200-507, Vocational Education.

Charge-off Supplement

These moneys will be used to provide a supplement for districts that do not raise enough local revenue to meet the charge-off requirement. The supplement pays the difference between the amount assumed in the charge-off portion of the basic aid formula and the amount of local revenue actually raised. The payment also covers the local share of special education costs. (For a fuller description of this subsidy, please see the explanation under "Charge-off Supplemental Payments."

Power Equalization

These funds provide an incentive to districts with valuations per pupil less than the statewide average, to levy more than 23 effective mills on residential and agricultural property. For each mill above 23 effective Class 1 mills levied, the district will receive a payment equal to the difference between the local revenue generated and the amount that a district with an average valuation per pupil would receive, up to two mills. (For a more complete description of this subsidy, please see the explanation under "Power Equalization.)

Base Cost Funding

This new line item in the Lottery Profits Education Fund Group is a combination of the following three line items: 200-670, School Foundation- Basic Allowance; 200-671, Special Education; 200-672 Vocational Education.

School District Solvency

This new line item is a State Special Revenue Fund Group account, and is to be used to make advancements to school districts to enable them to remain solvent. The source of funds is GRF surplus revenues from FY 1998.

Line Items Merged into New or Existing Line Items

The following line items are reduced to zero in the fiscal year 1999 budget. All of the items have been merged into new or existing line items.

200-417 Professional Development
200-423 Teacher Recruitment
200-429 Local Professional Development Block Grant
200-541 Peer Review
200-542 National Board Certification
200-543 Entry Year Programs
200-504 Special Education
200-507 Vocational Education
200-526 Vocational Education Equipment Replacement
200-544 Individual Career Plan and Passport
200-577 Preschool Education
200-589 Special Education Aides

The attached spreadsheet shows fiscal year 1998 and fiscal year 1999 appropriations to the Department, the new FY 1999 amounts proposed in the bill, percentage and dollar increases over FY 1998 appropriations, and percentage and dollar increases over appropriations in H.B. 650, as passed by the House.

Contingency Appropriations

If the majority of electors voting on the sales tax issue approve the proposed change to the Ohio Constitution, the proceeds of the sales tax increase would be used to fund the following:

(1) a $10 million appropriation in fiscal year 1999 for alternative schools. Any school district may submit a plan to the Superintendent of Public Instruction containing a request for a planning and start-up grant. The Superintendent shall make grants up to $50,000. Grants are to be awarded on a first-come, first-serve basis and are to be used to defray planning and initial start-up costs for alternative schools. In the first year of the alternative schools operation, the Superintendent may make an additional grant of no more than $100,000 to defray any additional start-up costs. Any school district operating an alternative school prior to July 1, 1998, the effective date of this section, may apply to the Department of Education for a grant of no more than $100,000 for the on-going operations of the alternative school.

(2) A $30 million appropriation in fiscal year 1999 for distance learning and a $50 million appropriation in fiscal year 1999 for technology for schools. The Office of Information, Learning, and Technology Services is to distribute these funds for approved projects based on project criteria and a distribution formula to be developed by the Ohio Schools Technology Implementation Task Force.

(3) A $250 million appropriation in fiscal year 1999 for school building assistance. The School Facilities Commission is to use these funds to pay for school building construction for low-wealth school districts.

Appropriation Reduction

The bill reduces any FY 1999 General Revenue Fund appropriations authorized in any act of the 122nd General Assembly by three percent with the following exceptions:

1. Appropriations to the following agencies:
   - The Department of Education
   - The Ohio School for the Blind
   - The Ohio School for the Deaf
   - The Office of Information, Learning, and Technology Services, and
   - School Facilities Commission

1. Appropriations for the following purposes:
   - Property tax allocation
   - Tangible tax exemption
   - Debt service
   - All state office building rent and office building appropriations made to the Department of Administrative Services

- Pension systems’ payments made by the Treasurer of State

1. The following line items:
    - 005-321 Operating Expenses – Judiciary
    - 110-506 Utility Bill Credits
    - 235-503 Ohio Instructional Grants
    - 235-504 War Orphans' Scholarships
    - 235-514 Central State Supplement
    - 235-530 Academic Scholarships
    - 235-531 Student Choice Grants
    - 235-549 Part-time Student Instructional Grants
    - 400-411 TANF Federal; Block Grant
    - 400-413 Day Care Match/Maintenance of Effort
    - 400-511 Disability Assistance
    - 400-528 Adoption Services
    - 911-401 Emergency Purposes/Contingencies

1. Appropriations to the Board of Regents are reduced by ½ of one percent, except for items included above.

2. Appropriations to the Department of Mental Retardation and Developmental Disabilities, the Department of Youth Services and the Department of Rehabilitation and Correction are reduced by two percent, except for items included above.

3. Appropriations to the Department of Taxation, the Department of Mental Health, the Ohio Veterans' Home, the Joint Committee on Agency Rule Review, the Department of Commerce, the Commission on Dispute Resolution and Conflict Management, the Ohio Elections Commission, the Environmental Review Appeals Commission, the Ohio Ethics Commission, the Ohio Expositions Commission, the Commission on Hispanic/Latino Affairs, the Office of the Inspector General, the Legal Rights Service, the Joint Legislative Ethics Committee, the Commission on Minority Health, the Ohioana Library Association, the State Personnel Board of Review, the State Board of Proprietary School Registration, the Rehabilitation Services Commission, the State and Local Government Commission of Ohio, the Veterans' Organizations, and the Women's Policy and Research Commission are reduced by one percent, except for items included above.

4. The Director of Budget and Management may reduce the appropriation for line item 400-525, Health Care/Medicaid, by an amount not to exceed one percent.

The bill states that the sum of all of the reductions is not to be less than $100 million. In order to achieve the $100 million total reduction, cuts must come from agency GRF appropriations or a cut to the state appropriation for Medicaid. In the as introduced version of H.B. 650, Medicaid is cut by 40/100ths of one per cent, but the bill permits Medicaid to be cut by as much as one percent. The current version of the bill increases the cut to the state appropriation to Medicaid to 44/100ths of one percent.

Reducing the state appropriation for Medicaid will also reduce Ohio's federal funds for Medicaid, since the federal funds match state appropriations. Every $1 reduction in state Medicaid appropriations causes a $1.39 reduction in Ohio's share of federal Medicaid funds, based on 1998 federal funds participation rates.

The bill states that the agency director of all agencies subject to a reduction may allocate the reductions among the agency's line items, subject to the approval of the Director of the Office of Budget and Management. The bill also specifies that when appropriations are reduced in a line item with set-asides, the set-asides may be reduced by a percentage up to the percentage the line item itself is reduced.

The attached spreadsheet shows General Revenue Fund appropriations in fiscal years 1997, 1998, and 1999, the proposed fiscal year 1999 appropriation, the amount of savings realized, the percentage to FY 1999 appropriations after the adjustment, and the percentage change from FY 1998 to FY 1999, after the adjustment.

Rehabilitation Services Commission

In Sub. H.B. 650, the GRF cut to the Rehabilitation Services Commission (RSC) is decreased from three (3) percent to one (1) percent. Of the $22,860,534 appropriated in FY 1999 in Am. Sub. H.B. 215, $21,658,000 was to be used as state match for federal funds. Any reduction in GRF will correspondingly reduce its federal funds. Therefore, this smaller percentage cut will lessen the loss of Federal funds.

Ohio Veterans' Home

In Sub. H.B. 650, the GRF cut to the Ohio Veterans' Home (OVH) is decreased from three (3) percent to one (1) percent.

According to the OVH, the moneys to be taken from the GRF could reduce or delay a proposed expansion of 52 beds in the Giffen Nursing Home. Although the beds were "created" in the 1980s with 65 percent federal dollars, there had never been enough money appropriated to allow the Home to open and staff the beds. Over 41 percent of this planned expansion will be funded from sources other than the GRF. The share of non-GRF funds going to the expansion will drop in large measure due to increased resident assessments and federal reimbursements. Without the expansion, OVH will lose additional non-GRF revenues.

The Veterans' Home would prefer the cut to come out of Fund 604. The Revised Code prevents these funds from being transferred to the GRF. Additional language would be needed to either transfer the funds from 604 to the GRF or to allow the OVH cut to come from Fund 604. If the cut were to come from Fund 604, the Home would not need to delay or scale back the proposed expansion.

Agencies with Total GRF Budgets Below $2.0 Million

In Sub. H.B. 650, all agencies with total FY 1999 GRF budgets of $2.0 million or below received cuts of one (1) percent rather than three (3) percent. There are 18 agencies affected by this action.

Transfer of FY 1998 Ending Year Balances

The bill authorizes the transfer of FY 1998 ending GRF balances that otherwise would have been transferred to the Income Tax Reduction Fund as follows:

A) the first $30 million to the School District Solvency Assistance Fund;

B) remaining surplus revenue in excess of the $30 million up to a total of $170 million to Fund 021, School Building Assistance. Of the $170 million, $30 million is to be used for the Emergency School Building Repair program.

The School District Solvency Fund was created in Am. Sub. H.B. 412 of the 122nd General Assembly. The fund is to be used to make advancements to school districts to enable them to remain solvent and to pay unforeseeable expenses of a temporary or emergency nature that they are unable to pay from existing resources.

Thus far in fiscal year 1998, (as of November 30, 1997) actual non-federal revenues have exceeded estimated revenues by $75 million. On the spending side, General Revenue Fund spending as of November 30, 1997 was $424.8 million under estimated disbursements, although the bulk of the underspending to date is probably due to timing inaccuracies. Much of the $424.8 million will probably be spent later than had been projected.

The Legislative Budget Office projects that by the end of fiscal year 1998, the ending GRF balance that otherwise would have been transferred to the Income Tax Reduction will total approximately $200 million. Thus, under the bill, $30 million would be transferred to the School District Solvency Assistance Fund and approximately $170 would be transferred to Fund 021, School Building Assistance. If the ending surplus is higher than $200 million, everything above $200 million would be transferred to the Income Tax Reduction Fund an used to cut income tax rates in tax year 1998.

School Foundation Basic Aid

Foundation Level

Under the bill, the foundation level for fiscal year 1999 is established at $3,851. For FY 2000, the foundation level would be $4,038, and for FY 2001, it would be $4,414. In FY 2003, the foundation would be $4,538, and in FY 2004, it would be $4,665.

Average Daily Membership

For the first time, special education students and vocational education students are counted in the district's average daily membership as 1 ADM. In addition, special education students are assigned excess "weights" (on top of 1 ADM) that have the effect of providing additional funding for these students. (See description below.) Vocational education students are not assigned additional weights under the bill. Gifted students continue to be counted in average daily membership and are assigned an excess weight of 0.1.

Cost of Doing Business Factor

The maximum cost of doing business factor increases as follows:

FY 1999	11.0%
FY 2000	12.4%
FY 2001	13.8%
FY 2002	15.2%
FY 2003	16.6%
FY 2004	18.0%

Income Factor

Residents in districts with an income factor of less than 1, have median incomes that are less than the statewide median income. In the basic aid formula, these districts' valuation is adjusted downwards, making them appear "poorer" in the eyes of the formula, and thus eligible for more state aid. Under the bill, if the district's income factor is less than one, the income factor continues to be at 3/15ths strength in FY 1999, and thereafter.

Residents in districts with an income factor greater than 1, have incomes that are greater, on average, than the statewide average. In the basic aid formula, these districts' valuations are adjusted upwards, making them appear richer in the eyes of the formula, and thus eligible for less state aid. Under the bill, if the district's income factor is greater than one, the income factor will be reduced to 1/15ths strength in FY 1999, and will not affect these district's valuation thereafter.

Changes in Special Education Funding

As mentioned above, special education students will for the first time, be counted in a district's average daily membership, instead of being counted in special education units. In addition to being counted as 1 ADM, special education students are assigned excess weights as follows:

Category	Handicaps Included	Special Education Weight
One	Learning Disabled, Other Health Handicapped, Developmentally Handicapped	0.22
Two	Hearing Handicapped, Orthopedically Handicapped, Vision Impaired, Multihandicapped, and Severe Behavior Handicapped	3.01
Three	Autistic, Having Traumatic Brain Injuries, or both Visually and Hearing Disabled	3.01*

* *Districts may also qualify for high-cost special education funding*

If a district has seven special education students in Category one, five special education students in category two, and 2 special education students in Category three, the district's excess weight funding would be calculated as follows:

(7 X .22) + (5 X 3.01) + (2 X 3.01) =
1.54 + 15.05 + 6.02 = 22.61

This number is then multiplied times the foundation level ($3,851 in FY 1999) X the district's state share. The state share represents the portion of basic aid funding that the state provides. Thus, if the state's share is 50%, the district would receive $43,536 (22.61 X $3,851 X 50%) in special education excess cost funding.

High Cost Special Education Funding

In addition to the special education excess cost funding described in the above paragraph, districts with students in category three may also be eligible for additional funding, if the cost for any category three student exceeds $25,000. The district would have to submit documentation of all its costs for that student to the Superintendent of Public Instruction. For costs above $25,000, the district would receive the difference between the total cost of educating the student and $25,000, times the district's state share percentage.

Thus, if a district spent $40,000 on a particular Category Three student, and the district's state percentage was 50%, the district would receive ($40,000 - $25,000) X 50% = $7,500. However, the district would also receive special education excess weight funding for the student, and basic aid funding for the student.

Changes in Vocational Education Funding

Vocational education students will also, for the first time, be counted in a district's average daily membership, instead of being counted in vocational education units. These students will receive not be assigned any additional weights.

Joint vocational school districts will continue to receive unit funding. A total of $127 million is earmarked in line item 200-545, Vocational Education Enhancements, for up to 2,761 vocational education units at Joint Vocational School Districts. In addition, up to $2.3 million is earmarked to fund up to 51 vocational education units at institutions. Up to $3.1 million is earmarked for special education classroom and related services units at Joint Vocational School Districts.

Changes in Gifted Funding

Funding for gifted education will be funded through units for FY 1999. In FY 2000, districts will be assigned a weight of 0.1 for 10 percent of its students, regardless of the percentage of its students deemed to be gifted. This additional funding is to be used to provide gifted education services.

Changes in Transportation Funding

The bill provides for a new method of funding transportation using an efficiency model developed by the Department of Education. The model determines an efficient transportation cost for each district. The rationale for using the model is to provide an incentive for districts to be as efficient as possible in transporting students. If a district's costs are below the amount predicted by the model, the district gets to keep the additional funds. If the district's transportation costs are higher than the amount predicted by the model, the district has to make up the difference with its own funds.

Over a five-year phase-in period, each district would receive a transportation payment equal to 60% of the district's average number of transported students times an efficient transportation use cost per student. Currently, district's are reimbursed for approximately 30% of their transportation costs.

Disadvantaged Pupil Impact Aid

The current DPIA formula consists of four formulas, as follows:

a) a flat amount for each child whose family receives TANF assistance if the percentage of such students in the district is at least five percent but less than 10 percent;
b) a higher amount for each child depending on the district's TANF percentage, if the percentage of students whose families' receive TANF assistance is at least 10 percent but less than 20 percent;
c) a still higher amount for each child depending on the district's TANF percentage, of the percentage of students whose families' receive TANF assistance is at least 20 percent but less than 30 percent;
d) a flat amount for each child whose family receives TANF assistance if the percentage of such students in the district is greater than 30 percent.

The actual formulas in permanent law are as follows:

ADC/TANF Percentage	Payment per ADC/TANF Pupil
At Least 5%, but less than 10%	$198
At least 10%, but less than 20%	($101.50 X per cent figure) minus $817.00
At least 20%, but less than 30%	($7.50 x per cent figure) plus $1,063.00)
At least 30%	$1,288

The results of these formulas were increased by 4 percent in FY 1998, and by an additional 5 percent in FY 1999. Due to a fall in TANF students, under current law, payments would be dramatically lower in FY 1999 compared to FY 1998.

Changes in Disadvantaged Pupil Impact Aid (DPIA) Formula

Under the new DPIA provisions of the bill, funding is based on the district's DPIA index, rather than the district's ADC or TANF percentage. The DPIA index compares each district's percentage of ADC students to the statewide average. A five-year average count of ADC/TANF students will be used instead of the current three-year average. The five-year average and the index procedure should result in more stable funding.

District aid is calculated based on:

A) all-day kindergarten;
B) reduce class size in grades Kindergarten through three;
C) provide a subsidy for remediation and security.

All-Day Kindergarten

Funding is provided to pay for all-day kindergarten for districts with an ADC/TANF index greater than or equal to 1. The funding in the DPIA formula counts each kindergarten as ½ ADM and thus provides funding equal to one half of the foundation amount. The DPIA formula for all-day kindergarten provides the same amount for each student.

Class Size Reduction

The formula for class size reduction is designed to provide more aid for class size reduction, the higher the district's DPIA index. If the district's index is greater than 2.5, the formula provides enough funds to enable the district to reduce the pupil/teacher ratio to 15/1 in grades kindergarten through three, assuming that the district is at the statewide average ratio of 23/1. If the district's index is greater than 0.6, but less than 2.5, the formula provides funds to reduce class size on a proportional basis, depending on the district's index.

Security/Remediation

The formula provides $230 TANF per student for districts with a DPIA index greater than 0.35 buy less than or equal to 1. For districts with an index greater than 1, the district's DPIA index is multiplied times $230 to derive the district's per pupil amount for security and remediation. At an index of 2.0, a district would receive $460 per ADC/TANF student.

DPIA Guarantee

Each district is guaranteed at least the amount of DPIA funding it received in FY 1998. This guarantee is estimated to cost less than $1,000,000 in FY 1999.

School Foundation Guarantees

The bill guarantees each school at least the lesser of its FY 1998 school foundation aid on a per pupil basis or on a total basis. School foundation aid includes basic aid, special education, vocational education, gifted education, Disadvantaged Pupil Impact Aid, and equity aid.

In addition to the above guarantee, for fiscal year 1999 only, each district is guaranteed to receive at least its FY 1998 state foundation funds plus state transportation funds.

Caps on State Increases

The bill limits each school district's increase in state foundation funds to a 10 percent increase over the amount of funds the district received in the previous fiscal year. This 10 percent cap would be in effect in fiscal years 1999 through 2002.

Power Equalization

The bill provides school districts with valuations per pupil less than the statewide valuation per pupil an incentive to levy more than 23 effective mills on residential and agricultural property (Class I property.) For each mill above 23 effective Class I mills levied, up to a maximum of 2 mills, the district will receive an enhancement payment equal to difference between the local revenue generated and the amount that would be generated if the millage were imposed in an statewide average valuation district.

The payments for this program will be phased in over four years: districts will receive 25% of the total in fiscal year 1999, 50% in FY 2000, 75% in FY 2001, and 100% in FY 2002 and each subsequent year. The cost of the program in fiscal year 1999 is estimated at $12 million dollars. The full cost of the program is difficult to estimate since the cost is dependent on how districts respond to this incentive. Currently, approximately 80% of the districts with below average valuation levy 23 or more mills on class I property. Assuming this percentage of school districts levy at least 25 mills by fiscal year 2002 (tax year 2000), LBO estimates that the cost of the program will be $52.4 million. However, if 100% of the districts below the average valuation per pupil levy at least 25 effective mills on Class I property, the cost of the program could reach $78 million dollars in FY 2002.

Charge-off Supplemental Payments

In its simplest form the basic aid formula calculates school district aid by multiplying the foundation amount by the number of students and reducing that total by a measure of the tax capacity of the district. The tax capacity is measured by multiplying the district's total income adjusted recognized valuation by 23 mills and is referred to as the charge off. However, districts are not required to levy 23 mills to qualify for the foundation program and there are districts that do not raise enough total local revenue to meet the charge off requirement. For any district receiving payments based on the basic aid formula that do not raise enough local revenue to meet the requirements of the charge-off plus the local share of special education excess costs for those districts not raising enough total local revenue from all tax sources, the district will receive a payment (the charge-off supplement) equal to the difference. Thus, this payment will also cover the local share of special education costs.

Participation of Chartered Non-Public Schools in Professional Development Block Grants

The bill increases appropriations to line item 200-429, Local Professional Development Block Grants, by $6,100,000 over FY 1998 levels. The funds would be used for two purposes, explained below.

Under current law, public school districts and vocational school districts receive amounts from the Local Professional Development Block Grants line item in the Department of Education's budget. The grants are distributed on a per teacher basis. The bill adds an additional

$1.1 million to the line item, and includes chartered non-public schools among those entities eligible to receive block grants on a per teacher basis. Presumably, the increase in the appropriation will be sufficient to cover the amount that would be distributed to chartered non-public schools so that the amounts public school districts receive for professional development will not decrease.

Disability Access Project – Transfer to the School Facilities Commission

The budget act (Am. Sub. H.B. 215) appropriated $5 million in fiscal year 1998 to the Department of Education for the Disability Access Project. The purpose of the project is to provide funds for capital projects that make buildings more accessible to students with disabilities.

The bill moves the appropriation and temporary language governing the appropriation from the Department of Education to the School Facilities Commission, created in Am. Sub. S. B. 102 of the 122nd General Assembly.

School Facilities Commission

The bill eliminates current provisions of law specifying that no emergency repair money can be provided for a building that will be replaced or will not be needed within seven fiscal years. It also eliminates the provision that a district that receives emergency repair money is ineligible for additional money for five fiscal years.

The bill further allows the Controlling Board to approve emergency repair disbursements in a lump sum rather than by individual project determinations based on on-site inspections by the Commission.

The bill requires the Commission to adopt rules for operating the emergency repair program.

School District Budget Reserve Fund

Sub. H.B. 412 of the 122nd General Assembly requires districts, beginning in FY 1999, to credit to its budget reserve fund, an amount not less than one per cent of the revenue the district received for the fiscal year. The district is required to make such a credit if the growth in a district's total revenues received for current expenses from one fiscal year to the next is three per cent or more.

The bill permits districts to credit less than one percent of its prior year's revenue received for current expenses into its budget reserve fund, pursuant to rules adopted by the Auditor of State.

Reporting Dates for the Ohio Schools Technology implementation Task Force and the Teacher Professional Development Task Force

The budget bill created the Ohio Schools Technology Implementation Task Force and the Teacher Professional Development Task Force and required both entities to issue a report by January 31, 1998. The bill changes the due date of the report until August 1, 1998.

LSC Study on Property Tax

The bill appropriates $200,000 in fiscal year 1998 in the Legislative Service Commission's budget. The Commission is to appoint a study committee composed of members of both houses of the General Assembly and both political parties to study Ohio's property tax system. The appropriation is to be used to fund the expenses of the property tax study committee. The Director of Budget and Management is to transfer any unencumbered and unallotted fiscal year 1998 amounts and appropriate them for the same purpose in fiscal year 1999.

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