

experience a potential \$300,000 gain in revenues accompanied by a potential minimal increase in expenditures related to processing and maintenance.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1999	FY 2000	FUTURE YEARS
School Districts			
Revenues	- 0 -	Potential gain for reimbursement for administrative costs and criminal background checks	Potential gain for reimbursement for administrative costs and criminal background checks
Expenditures	- 0 -	Potential increase for the cost of administration and criminal background checks	Potential increase for the cost of administration and criminal background checks
Counties, Municipalities, and Townships			
Revenues	-0-	Potential minimal gain	Potential minimal gain
Expenditures	- 0 -	-0-	-0-

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- School districts could experience a gain in revenues from the state for reimbursement for local administrative costs. In addition to reimbursement for administrative costs, school districts could experience an additional potential \$240,000 gain in fiscal year 2000 revenues as a result of reimbursement from the state for paying the costs of criminal background checks through BCII. Following the initial wave of criminal background checks in fiscal year 2000, school districts could experience potential minimal increases in revenues and expenditures for such purposes in future years. Potential revenue and expenditure increases from background checks in future years would likely experience a decrease compared to fiscal year 2000, but would still be a minimal increase when compared to current levels.
- Counties, municipalities, and townships could experience a potential minimal gain in revenues as a result of sheriff and police departments collecting fees for fingerprinting individuals requesting criminal background checks. Such fees would be in addition to the \$15 collected and forwarded to BCII and would be paid by the entity requesting the criminal background check.
- As a result of the introduction of moneys in the form of the Classroom Reading Grants, school districts could simultaneously increase the resources devoted to local reading programs while reducing the level of expenditures from local sources for such purposes.

Detailed Fiscal Analysis

Provisions of the Bill

The bill establishes the OhioReads initiative to be administered by the Department of Education under guidelines developed by an OhioReads Council. The OhioReads Council would have seven voting members and be comprised of the following: 1) five persons appointed by the Governor, one of whom would be a reading specialist; 2) the Director of Management and Budget or their designee; and 3) the Superintendent of Public Instruction or their designee. A member of the House of Representatives and the Senate from each political party appointed by the Speaker of the House and the President of the Senate respectively would serve in a non-voting capacity. All members of the Council would serve without compensation. Included in the language establishing the OhioReads Office is the authorization of the OhioReads Council to hire an executive director and such staff as might be necessary. In addition to administering the grant programs, the bill also requires the OhioReads Council to collaborate with the Board of Regents in evaluating and identifying potential sites at the various state colleges and universities to serve as a resource center for the OhioReads initiative.

While the structure, size, and operation of the grant programs are not expressly addressed in the substitute version of the bill, Governor Taft in testimony before the House Education Committee stated that the Classroom Reading Grants should be used to support reading improvement efforts in public schools. The Community Reading Grants meanwhile, would assist the reading improvement efforts of community service organizations. As part of the effort to carry out the initiative, the Governor cited the need to recruit 20,000 volunteers.

Fiscal Effects of the Bill

Impact on State Revenues and Expenditures

The bill could lead to an increase in state expenditures from the awarding of the Community and Classroom Reading Grants funded through future appropriations. In addition to the state funds that would be awarded to community organizations as well as city, exempted village, and local school districts, the Department of Education would experience additional costs for implementation and administration of the two grant programs directed by the OhioReads Council. According to a representative of the Department of Education, until the OhioReads Council acts to provide greater detail in terms of the structure and operation of the program, it would be difficult to provide an accurate estimate of the administrative costs involved. However, based on the performance of the Department of Education and other state agencies in administering programs, LBO assumes that the OhioReads Office could experience administrative costs in the neighborhood of two to five percent of the amount appropriated. If LBO's assumption is accurate, administrative expenditures for the Department of Education could experience potential increases of \$500,000 to \$1.25 million annually¹.

¹ Assuming that the appropriation for the Classroom Reading Grants and Community Reading Grants are identical to the appropriation proposed in previous versions of this bill.

In addition to the administrative costs of the OhioReads Council within the Department of Education, the Board of Regents would also experience a minimal increase in expenditures as a result of the required collaboration to identify potential sites for an OhioReads support center. According to representative of the Board, participation in the initiative could not be absorbed with current staffing levels and would probably require the use of an outside contractor, which it is estimated would require increased expenditures in the range of \$20,000 to \$30,000.

In addition to administrative costs, the bill could also generate up to \$300,000 in increased GRF expenditures in fiscal year 2000 to reimburse grant recipients for the cost of criminal background checks conducted through BCII. Accompanying the increase in GRF expenditures would be a potential \$300,000 gain in the Attorney General's General Services Fund 106 for conducting up to 20,000 background checks requested by grant recipients². LBO believes that once the initial wave of requests for background checks produced by the bill subsides in fiscal year 2000, the GRF and Fund 106 could experience potential increases in revenues and expenditures in future years as a result of background checks requested for new volunteers. Despite the potential for 20,000 additional background checks in the first year of the program, BCII does not believe additional staff and/or equipment would be necessary solely as a result of the bill. This being said however, BCII believes that the combination of this bill with other legislation mandating background checks for various groups of individuals will eventually require the hiring of additional technical staff to maintain the Automated Fingerprint Identification System (AFIS) system. BCII estimates the cost of adding one technical position to be in the neighborhood of \$65,000 to \$75,000, including training and fringe benefits.

The above narrative states what LBO assumes would be the impact on state revenues and expenditures based on what it believes would be the structure of the programs authorized in the bill. The actual distribution will depend in large part on the makeup of the guidelines developed by the OhioReads Council and the specific requirements for implementation and administration at both the state and local level. According to a representative of the Governor's Office, the cost of implementing and administering the programs at the local level will for the most part be supported by state moneys other than those received in the form of the Community and Classroom Reading Grants.

Impact on School Districts and Political Subdivisions

Through the provision of the Classroom Reading Grants from a future appropriation, the bill could also generate an increase in revenues and expenditures among Ohio's public school districts. School districts are currently engaged in supporting various reading programs as part of their basic responsibilities, and secondarily in reaction to the responsibility placed upon them in Senate Bill 55 of the 122nd General Assembly, requiring students to pass a reading test prior to advancing to the fifth grade. As a result of the introduction of moneys in the form of the Classroom Reading Grants, school districts could simultaneously increase the resources devoted to local reading programs while reducing the level of expenditures from local sources for such purposes.

² Although background checks are optional and participants having a check within the last year may be exempt, LBO's estimate assumes full utilization and reimbursement and therefore actual revenues and expenditures are likely to be less.

In addition to the increase in school district revenues and expenditures as a result of the Classroom Reading Grants, the bill would generate further additional revenues and expenditures from requesting and paying for criminal background checks of individuals volunteering to serve in the program. Assuming the Governor's goal of 20,000 volunteers is realized and that eighty percent (proportional to the share of the appropriation in previous versions of this bill) or 16,000 serve in the school districts, and background checks are requested for each, this provision could generate a potential \$240,000 increase in expenditures. Any such increase in expenditures would then be offset by a gain in revenues as a result of the state reimbursement. Currently, the cost of conducting a background check through BCII is \$15 and is charged to the entity requesting the check. Additionally, municipal, township, and county law enforcement agencies may assess an additional minimal fee for processing such requests, a charge for which the school districts would not be reimbursed. As a result of the ability of local law enforcement agencies to assess such a fee, the bill could thus create a potential minimal gain in municipal, township, and county revenues.

The above analysis states what LBO assumes would be the distribution of the impact on local revenues and expenditures based on what it believes would be the structure of the programs authorized in the bill. Actual revenue and expenditure distribution however, will depend in large part on the makeup of the guidelines developed by the OhioReads Council and the specific requirements for implementation and administration at the local level. According to a representative of the Governor's Office, the cost of implementing and administering these programs at the local level would for the most part be supported by state moneys aside from those received in the form of the Community and Classroom Reading Grants.

Update: Governor's Budget Recommendations

OhioReads is Governor Taft's reading initiative to improve reading skills by recruiting school and community organization volunteers to serve as reading tutors. The Governor's budget recommendation calls for \$25 million in each fiscal year of the biennium to provide grants to school districts and community service organizations. Of the proposed appropriation, \$20 million would be set aside for Classroom Reading Grants and would be used to support reading programs in the public schools, while \$5 million earmarked for Community Reading Grants would support similar efforts among community service organizations.

In addition to the \$25 million appropriation to fund reading grants, the Governor's recommendation also provided clarification to earlier statements regarding the administrative cost of OhioReads. Specifically, the Governor recommends an appropriation of \$5 million in each fiscal year to cover the administrative costs of the program. More specifically, the recommendation would set aside \$4 million dollars in each fiscal year to support stipends for up to 2,000 local volunteer coordinators. The remaining \$1 million of the proposed appropriation would then be used to support the operations of the OhioReads Office and to reimburse grant recipients for the cost of requesting criminal background checks.

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