



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 444 of the 129th G.A.](#)

Date: March 26, 2012

Status: As Introduced

Sponsor: Rep. Henne

Local Impact Statement Procedure Required: No

Contents: Authorizes a pilot program for school districts in Montgomery County to operate certain for-profit activities

State Fiscal Highlights

- The Ohio Department of Education may incur some additional administrative costs to evaluate and prepare legislative recommendations for the pilot program. The findings are to be made within three years of the bill's enactment.

Local Fiscal Highlights

- The bill may result in gains in revenue for the school districts in Montgomery County that opt to participate in the pilot program. Presumably, school districts will only undertake profit-making activities if they are reasonably assured that the revenue generated will at least cover any costs incurred for the enterprise.
- All profits arising from the pilot program would be in addition to the other state and local operating revenues a district may receive. Even so, the bill provides a district board with the option of reducing the rate of taxation of its levies on account of revenue generated under the pilot program.

Detailed Fiscal Analysis

The bill establishes a pilot program permitting school districts with any territory in Montgomery County to engage in for-profit activities as long as those activities are related to the ordinary functions of the school district. There are 21 traditional school districts, one joint vocational school district, and one educational service center with territory in the county, all of which would be eligible to participate in the pilot program. Permissible for-profit activities are limited to (1) technology development, distribution, licensing, and sales, (2) the provision of training, consulting, or educational services, (3) sales of school district merchandise and other paraphernalia, and (4) with certain exceptions, rental of district facilities. A school district board may allocate school district funds, property, personnel, and other resources and appoint employees (who would not be considered "public employees") for the for-profit activity as long as it does not substantially interfere with the education of pupils in the district.

While it is clear that the bill creates the opportunity for school districts in Montgomery County to enhance local revenues without having to seek tax increases, it is presumed that school districts will only pursue profit-making activities if they are reasonably assured that the revenue generated will at least offset any costs incurred as part of the enterprise. All profits from the pilot program would be in addition to the other state and local operating revenues a district may receive and must either be deposited into the school district's general fund or reinvested into the enterprise. While a county budget commission is prohibited from using the district's revenue under the pilot program as a basis for reducing the district's rate of taxation for its property tax levies for operations, a school district board itself may reduce the rate of taxation of its levies due to the revenue the district receives from profit-making activities.

The Superintendent of Public Instruction, in consultation with the school districts that engaged in for-profit activities under the bill, is required to evaluate the pilot program and submit legislative recommendations in regard to it to the Governor and the General Assembly, which may create some additional costs for the Ohio Department of Education. The findings are due no later than three years after the bill's effective date.