Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 167 of the 130th G.A. **Date**: June 19, 2013

Status: As Reported by Senate Education **Sponsor**: Reps. Grossman and Heard

Local Impact Statement Procedure Required: Yes

Contents: Revises the laws regarding internal auditing, levies, and the management of district and community schools in the Columbus City School District

State Fiscal Highlights

- The Ohio Department of Education (ODE) may incur minimal administrative costs to enter into a sponsor agreement with the mayor of Columbus. However, these costs will likely be absorbed within ODE's existing resources.

Local Fiscal Highlights

- The bill requires the Columbus City School District to request voter approval for the creation of an independent auditor position. If approved, the district's expenditures will increase to support the operations of the auditor and to provide compensation to the auditor and any additional personnel hired to support the auditor.
- The bill authorizes and requires the Columbus City School District to levy a tax for the current expenses of the district and certain community schools. If a levy is passed, district schools and partnering community schools will experience revenue gains each year for as long as the levy is in effect.
- The Columbus City School District will incur elections-related costs for both ballot questions under the bill. These costs include ballot advertising and holding elections. Costs will depend on the ballot advertising procedures that apply and whether the ballot issues appear on the general election or special election ballot.
- The bill authorizes the mayor of Columbus to sponsor community schools located in the district. To cover the costs of sponsorship, community school sponsors are permitted under continuing law to receive sponsorship fees from each sponsored school equal to 3% of each school's operating revenues.
- Columbus City Council may incur administrative expenses for establishing standards for community schools sponsored by the mayor.

Detailed Fiscal Analysis

The bill revises the laws pertaining to the management of district schools and community schools located in a school district with an average daily membership (ADM) greater than 60,000 and located in a city with a population greater than 700,000. Specifically, the bill addresses laws governing internal auditing, levies, and the oversight of community schools. As of this writing, the only school district in Ohio that meets the ADM and population requirements described above is the Columbus City School District. For simplicity, this Fiscal Note assumes that the laws modified by the bill affect only the Columbus City School District. Provisions of the bill with a possible fiscal effect are discussed below. For a complete description of the bill's provisions, please see the LSC Bill Analysis.

Independent auditor

The bill requires the Columbus City School District Board of Education to request voter approval on the general election ballot to hire an independent auditor, who would be responsible for all internal auditing functions of the district. A selection committee, which is charged with choosing the auditor, is responsible for recommending the auditor's compensation to the Board of Education. (The selection committee itself serves without compensation.) If the position is approved, the Board of Education must execute a written contract of employment for the auditor and appropriate funds to support the operations and functions of the auditor. Among other tasks, the bill requires the auditor to recommend to the Board the employment of personnel necessary to carry out the activities of the auditor and to propose a budget for the activities of the auditor and associated staff. If sufficient funds are available, the bill also permits the auditor to obtain the services of certified public accountants, qualified management consultants, or other experts. Under the bill, the auditor serves a five-year term, which may be renewed by the selection committee.

Ultimately, the auditor's budget will be determined by the Columbus Board of Education. Expenses will include the auditor's compensation outlined in the employment contract, compensation for any additional hires recommended by the auditor, and other operating expenses for the functions of the auditor and the auditor's staff. If approved, the auditor position will presumably be filled by March 31, 2014. Most of the expenses related to this provision will begin on that date and continue for the duration of the auditor's term.

Current expense levy

The bill requires the Columbus Board of Education to propose a levy for the current expenses of the school district, a portion of which will be shared with certain partnering community schools. The bill requires the district to create a "Partnering Community Schools Fund" for the deposit of levy funds that are to be directed to

partnering community schools. The Board may distribute all or a portion of the funds in the Partnering Community Schools Fund to those schools, and must distribute funds at least three times per fiscal year. Funds distributed to partnering community schools are subject to audit by the independent auditor. If a shared levy is approved, partnering community schools will receive funds in proportion to their enrollment of "resident" students, which are those students who are entitled to attend a Columbus City School District school. The bill also specifies that if a shared levy is approved, partnering community schools must receive a portion of state reimbursements for property tax rollbacks and the homestead exemption. Under current law, the Cleveland Municipal School District (CMSD) is the only district in the state specifically authorized to propose a levy in which revenues are shared with community schools.[1] On November 6, 2012, CMSD voters approved a four-year, 15 mill levy; one mill generating over $5 million is directed to community schools.

The levy required under the bill establishes a new potential revenue source for community schools in Columbus. Under current law, community schools only receive funding through deductions from school districts' state aid (at least $5,704 per pupil) and public and private grants. If a levy for the district and partnering community schools is approved, the district also will experience a gain in revenues. The amount of the revenue gain will depend on the number of mills levied and the taxable property value of the district. Partnering community schools' revenues will also depend on how much the district chooses to distribute from the Partnering Community Schools Fund in each year. In tax year 2012, the taxable value of the Columbus City School District is approximately $9.0 billion. One mill will generate about $9.0 million for the district and partnering community schools.

Cost of ballot issues

Election expenses

The allocation of costs for holding elections on (1) the ballot issue concerning the hiring of an independent auditor as required by the bill, or (2) the operating levy permitted under the bill are handled differently under current law, depending on whether the measures appear on a general election ballot or on a special election ballot. Under the bill, the question concerning the position of independent auditor must be submitted to the voters at the general election occurring at least 90 days after the bill's (immediate) effective date. The operating levy question, however, may be placed on either the next special election or next general election ballot, whichever comes first. If either question is placed on the general election ballot, then the Columbus City School District will only be responsible for the cost of printing ballots and ballot advertising costs. If the levy question appears on a special election ballot, then the Columbus City School District will incur the entire cost of conducting the special election, including

[1] Sub. H.B. 525 of the 129th General Assembly.

poll worker salaries, voting machine preparation, ballot printing, ballot advertising, and other related expenses. Based on recent elections, the Secretary of State has estimated that precinct operating costs for special elections can range from $800 to $1,500 per precinct, depending on the location and number of voters in those precincts.

Ballot advertising costs

Apart from the cost of holding an election, the Columbus City School District will incur ballot advertising costs for both ballot questions provided for under the bill. Under the bill, however, the ballot advertising procedures and costs could vary. The ballot question on creating the independent auditor position must be advertised in a newspaper of general circulation for at least two consecutive weeks, either in full length or in abbreviated form under Section 7.16 of the Revised Code. The abbreviated process requires the first publication to be in full, but allows for subsequent publications to be in shorter form. The publication and ballot advertising for the levy question must appear for at least two consecutive weeks, but the language may not be in abbreviated form.

Ultimately, the ballot advertising costs for both measures will depend on the length of the issue that will appear on the ballot, whether or not the Columbus City School District opts to use the abbreviated publication process for the ballot question on the independent auditor, and the advertising rate charged by the newspaper of general circulation within the school district. *The Columbus Dispatch's* political advertising rate is $6.13 per line, per day, on publications appearing Monday through Saturday, and $6.94 per line, per day, on publications appearing on Sunday.

Sponsorship of community schools

The bill permits the mayor of Columbus to sponsor any start-up community school located in the Columbus City School District, as long as city council approves the mayor to act as a sponsor and establishes standards with which partnering community schools must comply. The mayor must also enter into a sponsor agreement with the Ohio Department of Education (ODE). Under current law, any sponsor may collect a fee from its sponsored schools to cover the costs associated with sponsorship. The amount of this fee may equal up to 3% of each school's state operating revenue. Like any other sponsor under continuing law, the mayor's office will be permitted to receive this sponsorship fee under the bill.

The Columbus City Council may incur administrative expenses for establishing standards for community schools sponsored by the mayor. In addition, ODE may experience a minimal administrative burden for entering into a sponsor agreement with the mayor. However, any costs incurred will likely be absorbed within ODE's existing resources.