



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 228 of the 130th G.A.](#)

Date: February 24, 2014

Status: In House Education

Sponsor: Rep. Brenner

Local Impact Statement Procedure Required: No

Contents: Establishes a minimum and maximum amount of state operating funding that is paid to a school district for FY 2016 and each fiscal year thereafter

State Fiscal Highlights

- Beginning in FY 2016, the bill establishes a per pupil guarantee for traditional and joint vocational school districts and adjusts any cap on funding for districts with large increases in enrollment. The fiscal effects of the bill will depend on the formula in place in FY 2016 and future years.
- The bill guarantees that a school district is allocated no less than the amount of state aid per pupil it was allocated in FY 2013 or \$1,000 per pupil, whichever is greater. If this guarantee had been in place for FY 2014 instead of the actual aggregate guarantee, the total cost to the state of the guarantee would have been \$14.5 million lower.
- In addition, the bill adjusts any cap on funding to allow for twice as much growth in state aid if a traditional or joint vocational school district experiences enrollment growth of 3% or more from year to year. If this adjustment had been made to the cap of 6.25% currently in place for FY 2014, state aid would have been \$3.1 million higher.

Local Fiscal Highlights

- The overall effect on school district state aid revenues resulting from the bill's guarantee and cap provisions will depend on the school funding formula enacted for FY 2016 and future years.
- If the bill's guarantee had been in place for FY 2014 instead of the actual aggregate guarantee, 177 traditional school districts would have been allocated less state aid and 56 would have been allocated more.
- If the bill's adjustment had been made to the cap of 6.25% currently in place for FY 2014, nine districts would have been allocated more state aid.

Detailed Fiscal Analysis

Recent school funding formulas have included provisions designed to provide stability to the amount of state aid allocated to school districts. These provisions guarantee state aid does not fall below a specified level and cap state aid so that it does not increase above a specified level. The current school funding formula has both a guarantee and a cap. In FY 2014 and FY 2015, traditional and joint vocational school districts (JVSDs) are guaranteed at least the amount of state aid they were allocated in FY 2013. Also, school districts may not be allocated increases in state aid of more than 6.25% and 10.5% in FY 2014 and FY 2015, respectively, compared to prior year funding. The current guarantee and cap are specifically for the FY 2014-FY 2015 biennium, so they will end after FY 2015 unless a new guarantee and cap are enacted.

The bill establishes new guarantee funding provisions that begin in FY 2016 and continue in future fiscal years. Instead of guaranteeing a district a certain aggregate dollar amount, as in the current formula, the bill establishes a per pupil guarantee. Under the bill, a district will be allocated no less than the amount of state aid per pupil it was allocated in FY 2013 or \$1,000 per pupil, whichever is greater. Most of the 612 school districts are allocated more than \$1,000 per pupil in state aid. In FY 2014, 28 school districts are not.¹ These districts have relatively low state shares and high local shares because of their high property wealth. If a guarantee of \$1,000 per pupil was in place for FY 2014, these 28 districts would have been allocated a total of \$34.3 million more in guarantee payments. A per pupil guarantee as opposed to an aggregate guarantee as under the current formula tends to favor districts with increasing enrollment. In FY 2014, 208 districts are allocated transitional aid for a statewide total cost of \$204.6 million. If the bill's per pupil guarantee had been in place instead of the current aggregate guarantee, 56 districts would have been allocated more in guarantee payments and 177 districts would have been allocated less. The overall cost of the guarantee would have decreased by \$14.5 million.

In addition to the per pupil guarantee, the bill adjusts any caps that may be imposed beginning in FY 2016 if a traditional school district or JVSD experiences growth of 3% or more from year to year in enrollment, as measured by total average daily membership (ADM). For those districts, the Ohio Department of Education must increase the cap for that fiscal year to permit twice as much growth in state aid. This provision is likely to apply to relatively few districts. For example, 14 traditional school districts experienced 3% or more growth in total ADM from FY 2013 to FY 2014. Of these, nine are under the cap in FY 2014. These districts would have been allocated \$3.1 million more in FY 2014 if their cap had been raised to 12.5% (6.25% x 2).

¹ All numbers for FY 2014 included in this Fiscal Note are based on the first payment file in February.

In sum, if the bill's provisions had been in place for FY 2014, total state aid would have been an estimated \$11.4 million less than under the current guarantee and cap provisions. Under this scenario, 177 districts are allocated less state aid while 64 districts are allocated more state aid. However, the actual fiscal effects of the bill will depend on the formula that is enacted in FY 2016 and future years.

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