



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 148 of the 131st G.A.

**Date:** October 5, 2015

**Status:** As Introduced

**Sponsor:** Reps. Patterson and LaTourette

**Local Impact Statement Procedure Required:** No

**Contents:** To provide classroom facilities assistance to certain school districts resulting from consolidations

### State Fiscal Highlights

- The bill requires, rather than permits as under current law, the Ohio School Facilities Commission (SFC) to offer immediate classroom facilities assistance to a school district resulting from the consolidation of two or more districts that satisfies specified conditions. Based on the criteria, which incorporates county population, school districts in 60 (68%) of Ohio's 88 counties may be eligible for assistance should they consolidate.
- If the eligible school district accepts the assistance, the bill specifies that the district's portion of the total cost of the project for which assistance is provided must be the lesser of (1) 50% of the cost of the project or (2) the required percentage of the basic project cost based on the lowest equity or wealth ranking of the consolidating districts. Depending on these wealth percentiles, this provision may increase the state share of the cost of such projects and delay the execution of facilities projects for other school districts.

### Local Fiscal Highlights

- Eligible school districts opting to accept classroom facilities assistance under the bill may experience a decrease in the local share of the cost for classroom facilities projects. Through the bill's provision of immediate assistance to such districts, these projects may also be completed sooner than otherwise. Other districts may have their projects delayed as a result of the bill.

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## Detailed Fiscal Analysis

Under current law,<sup>1</sup> the Ohio School Facilities Commission (SFC) may offer funding through the Classroom Facilities Assistance Program (CFAP)<sup>2</sup> to a school district resulting from the consolidation of two or more districts under certain circumstances. If such assistance is offered, the state and local shares are based on the current formula by using the lower of the two districts' equity or wealth rankings. The bill requires SFC to offer immediate assistance for classroom facilities, presumably through CFAP, to a consolidated school district that satisfies specified conditions. If the eligible school district accepts the assistance, the bill specifies that the district's portion of the total cost of the projects for which assistance is provided must be the lesser of (1) 50% of the cost of the project or (2) the required percentage of the basic project cost based on the percentile ranking of the lowest wealth district that was consolidated or transferred.

### Eligibility

For purposes of this bill, an "eligible school district" is a city, local, or exempted village school district that results from the consolidation of two or more school districts or from a voluntary transfer of the entire territory of the school district, provided that, with respect to the districts as they exist prior to the consolidation or transfer, all of the following conditions are satisfied:

1. The districts are located in the same county;
2. The county in which the districts are located has a population of less than 100,000 as of the most recent federal decennial census; and
3. Neither of the districts has previously received any funds from SFC, with the exception of the Expedited Local Partnership Program (ELPP).

Based on the population threshold, school districts in 60 (68%) of Ohio's 88 counties may be eligible for classroom facilities assistance should they consolidate or transfer territory.

### School district portion of the total cost of the project

For each project for which SFC offers assistance, the district's portion of the total cost of the project must be the lesser of the following:

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<sup>1</sup> Ohio Administrative Code 3318:1-04-01.

<sup>2</sup> CFAP is a program designed to provide each city, exempted village, and local school district with partial funding to address all of the district's classroom facilities needs. It is a graduated, cost-sharing program where a district's portion of the total cost of the project and priority for funding are based on the district's relative wealth. Districts are ranked by wealth into percentiles. The poorest districts are served first and receive a greater amount of state assistance than wealthier districts will receive when it is their turn to be served based on their respective wealth percentile.

1. 50% of the cost of the project; or
2. The "required percentage of the basic project cost" (1% times a district's wealth percentile) based on the percentile ranking of the lowest wealth district that was consolidated or transferred.

Under this bill, an eligible school district may pay a lower percentage of the total cost of the project than otherwise under current law. To illustrate, if the Berkshire, Newbury, and Cardinal local school districts were to consolidate into one district, as has been deliberated,<sup>3</sup> then the consolidated school district would pay 83% of the basic project cost under current law, because Cardinal Local has the lowest relative wealth of the three districts.<sup>4</sup> Under the bill, the consolidated district would only pay 50% of the basic project cost and the state share would increase from 17% to 50%.

As a result of the bill, state expenditures for classroom facilities assistance projects for consolidated or transferred districts may increase. Additionally, depending on the size of the project, the requirement to offer immediate assistance to such districts may delay the execution of projects for school districts that are at or near the top of the funding priority list for CFAP. Increased state assistance in these circumstances may also incentivize more districts to consolidate or transfer territory than would have otherwise been the case.

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<sup>3</sup> "LaTourette, Patterson Plan Bill to Help School Districts Merge, Create STEM School," *Gongwer*, April 3, 2015, Volume #84, Report #64, Article #3.

<sup>4</sup> For FY 2016, Berkshire Local has a local share percentage of 91% and Newbury Local has one of 98%, according to SFC. Cardinal Local, however, locked in its local share percentage of 83% in 2000 when the district entered into ELPP.