



# Ohio Legislative Service Commission

*Adam Wefler*

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 148 of the 131st G.A.  
(L\_131\_0730-4)

**Date:** May 24, 2016

**Status:** In House Education

**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 give first priority for classroom facilities assistance to a school district resulting from the consolidation, merger, or transfer of territory of two or more districts that satisfies specified conditions.
- The bill allows SFC to reduce an eligible school district's portion of the basic project cost (1% times the district's wealth percentile) by 25% and, if the district satisfies certain conditions, by an additional 10%. However, in no circumstance can a district's portion be less than 5%.
- The bill 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 priority funding for 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 and rules,<sup>1</sup> the Ohio School Facilities Commission (SFC) may prioritize funding through the Classroom Facilities Assistance Program (CFAP)<sup>2</sup> to a school district resulting from the consolidation of two or more districts that significantly improves the efficiency of the use of facility space within or between districts. 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 repeals the provision of law authorizing SFC to adopt such rules and, instead, requires SFC to give first priority for funding for a CFAP project, as such funds become available, to eligible consolidated school districts regardless of the district's percentile ranking under CFAP and allows for the local share of an eligible school district's project costs to be reduced by up to 35% if certain conditions are met.

### Eligibility

For purposes of this bill, an "eligible school district" is a city, local, or exempted village school district that:

1. Resulted from a consolidation, merger, transfer of territory, or creation of a new local district between July 1, 2013 and June 30, 2018; and
2. Has demonstrated to SFC an efficient use of facility space, including a reduction in the number of buildings used by students and administrative staff (similar to the requirement for prioritized funding under current law).

In recent years, two district consolidations have occurred. In FY 2015, Old Fort Local School District (LSD), in Seneca County, acquired the territory of the Bettsville LSD. In FY 2016, Berkshire LSD, in Geauga County, acquired the territory of Ledgemont LSD. Thus, Old Fort LSD and Berkshire LSD would be eligible for assistance under the bill provided that they meet the specified efficiency requirement.

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

As described above, the bill provides facilities funding incentives to certain school districts that have recently consolidated or will effectuate a consolidation before the end of FY 2018. Specifically, in addition to receiving priority funding under CFAP,

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<sup>1</sup> Ohio Administrative Code 3318:1-04-01, promulgated pursuant to ORC 3318.32 (repealed by the bill).

<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.

the bill allows SFC to reduce an eligible school district's portion of the total cost of the project (1% times a district's wealth percentile) by 25%, provided the district's portion is at least 5%. Note that the bill specifies that, if an eligible school district results from a transfer, merger, consolidation, or creation of a new local district that takes effect prior to the bill's effective date, the district's portion of the total cost of the project must be the required percentage of the basic project cost based on the percentile ranking of the lowest wealth district that was transferred, merged, consolidated, or existed prior to the creation of the new district.

Further, the bill specifies that SFC may reduce an eligible school district's portion of the total cost of the project by an additional 10% if the district's project satisfies all of the following conditions, provided the district's portion is at least 5%:

1. The project involves construction of a building on land owned by a state institution of higher education and SFC approves the project;
2. The district and the institution enter into a written agreement regarding the continued use of the institution's land by the district, and SFC approves the agreement; and
3. On the date of the agreement the institution is participating in the College Credit Plus Program.

The 10% reduction appears to apply to a proposal to house a new school building for the Berkshire LSD and Newbury LSD students on the Kent State University – Geauga campus after a proposed merger between these two school districts.

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 and Newbury LSDs were to consolidate into one district, then the consolidated school district would pay 91% of the basic project cost under current law, because Berkshire Local has the lowest relative wealth of the two districts.<sup>3</sup> Under the bill, the consolidated district, if it were to be established before the effective date of the bill, would only pay 66% of the basic project cost and the state share would increase from 9% to 34%. If the consolidated district qualifies for the additional 10% reduction, it would only pay 56% and the state share would increase to 44%.

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 first priority for funding 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> For FY 2016, Berkshire Local has a local share percentage of 91% and Newbury Local has one of 98%, according to SFC.

## Synopsis of Fiscal Effect Changes

The substitute bill eliminates the As Introduced (previous) bill's 50% cap on an eligible district's local share and, instead, allows the local share of an eligible school district's project costs to be reduced by up to 35% if certain conditions are met. Thus, the state and local shares of the costs for applicable projects may be higher or lower than otherwise, depending on the wealth of the district. Compared to the previous version, high wealth districts may pay a higher percentage under the substitute bill while lower wealth districts may pay a lower percentage.

The substitute bill modifies some of the eligibility requirements for school districts to qualify for CFAP assistance. The previous version restricted eligible districts to those meeting certain geographic, county population, and prior SFC funding restrictions. The substitute bill removes these restrictions, allowing eligible districts to qualify under a broader range of circumstances. On the other hand, the substitute bill limits eligibility to districts that consolidate within a specified period of time and demonstrate to SFC an efficient use of facility space, including a reduction in the number of buildings.