

Fiscal Note & Local Impact Statement

124th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: Sub. H.B. 364 (124-0376-6) DATE: March 8, 2002

STATUS: In House Education SPONSOR: Rep. Husted

LOCAL IMPACT STATEMENT REQUIRED: Yes

CONTENTS: Expands community school law

State Fiscal Highlights

STATE FUND	FY 2002*	FY 2003	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	\$8.1 million, in addition to possible additional costs for student transportation and tuition free education for adults	\$8.1 million per year until 2014; after FY 2014, possible additional costs related to student transportation and tuition free education for adults

Note: The state fiscal year is July 1 through June 30. For example, FY 2002 is July 1, 2001 – June 30, 2002.

*This fiscal note assumes the effects of the bill will not begin until FY 2003.

- For transportation community schools will be treated the same as nonpublic and special education schools. Currently, 25% of appropriation item 200-503, Bus Purchase Allowance is set aside for nonpublic and special education reimbursement assuming that these school districts and educational service centers have met the state's mileage requirement for the year. If the mileage requirement is met, then these districts are fully reimbursed (100%) for bus purchase.
- Assuming there are 18,100 community school students, at a cost of \$450 each, yields a cost of approximately \$8.1 million annually for the next 11 years (the number of years remaining in the Governor's Plan) for the Community School Classroom Facilities Support Program within the Ohio School Facilities Commission (OSFC). This cost would come from OSFC's capital appropriations, thus causing some districts to have to wait for their funding unless the amount allocated increases.
- The provision allowing students over the age of 22 to attend community schools or school districts tuition free could potentially cost the state millions of dollars depending on how many students over 22 enter school after the provision takes effect. The Department of Education would be responsible for paying the base cost (currently \$4,814) for each student.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2002*	FY 2003	FUTURE YEARS
School Districts			
Revenues	- 0 -	Loss depends on the location of the community school and the rate of taxation for that area	Loss depends on the location of the community school and the rate of taxation for that area
Expenditures	- 0 -	Increase depends on the number of new community schools established	Increase depends on the number of new community schools established
Counties, Townships, and Municipalities			
Revenues	- 0 -	Loss depends on the location of the community school and the rate of taxation for that area	Loss depends on the location of the community school and the rate of taxation for that area
Expenditures	- 0 -	- 0 -	- 0 -

- There is a potential increase in cost to local school districts that is dependent on the number of new community schools established. This increase could be sizable as the bill allows a start-up community school to be established in any school district in the state, regardless of status (e.g., academic emergency, academic watch, continuous improvement, etc.).
- The bill has a provision that would exempt community schools and the landlords of the property from real and personal property taxation and assessment. This would have an impact (i.e., loss of revenue) on school districts, counties, townships, and municipalities depending on where the community school is located and the rate of taxation for that area. Property taxes are estimated at about \$25 to \$50 per pupil, or about \$500,000 to \$1,000,000 statewide. School districts receive 60% of the revenues from local property taxes, while the remaining 40% is distributed to counties, townships, and municipalities.
- If a school district fails to provide transportation for community schools as required under current law, that district can lose money from the state for failing to comply with the law. The effect of this provision for local school districts would be the cost of compliance with the rule.

Detailed Fiscal Analysis

Substitute House Bill 364 makes several changes to the community school law. The bill allows a start-up community school to be established in any school district in the state. It also takes away the authority of the State Board of Education to sponsor start-up community schools. However, the board may continue to sponsor schools for which it has a contract until the end of the term of the contract or a new sponsor is secured. The 13 state-assisted universities are permitted to sponsor community schools (as the University of Toledo is permitted to do under current law). Community schools would be treated the same as nonpublic and special education for purposes of bus purchase reimbursement (they would be reimbursed 100%).

Local Costs

Start-up Community School Locations

Currently, community schools may only be established in school districts that are in “academic emergency.” The primary effect of this bill to local school districts comes from the addition of all other school districts to the list of areas where start-up community schools may be established. In the 1998/1999 school year, there were 69 school districts in academic emergency and in the 1999/2000 school year, there were 35 districts in academic emergency. The bill would allow a start-up community school to be established in any of the state’s 612 school districts. As the increase in effect is dependent on how many new community schools would be established and without knowing how many new community schools would be launched as a result of this change in law, it is difficult to determine the effect on the districts.

Property Tax Exemption

The bill proposes to exempt from property taxation real and personal tangible property owned or used by community schools. This would exempt the landlords of the property, as well as the community schools themselves. Community schools, because they are considered public schools, are already property tax exempt, but the bill includes owners of property that is leased to the schools to be property tax exempt.

Currently, there are 92 community schools. School districts and other local governments associated with the exempted community schools will see a reduction in property tax revenues under the bill. Assuming community schools are located primarily in older buildings with a low value, it is estimated that the property tax exemption might be equal to approximately \$25 to \$50 per pupil per year. If all students were in buildings that are taxable, this would imply statewide tax payments of about \$500,000 to \$1,000,000 per year. Statewide, school districts benefit from approximately 60 percent of all property taxes levied. The remaining 40 percent benefit other local governments such as counties and municipalities. The school district tax loss would thus equal about \$300,000 to \$600,000 per year and the local government loss would equal about \$200,000 to \$400,000 per year.

For example, Graham School, located in Columbus, pays nearly \$7,000 each year in real property taxes. A 100 percent exemption for this property would result in a loss in revenue of approximately \$4,200 for Columbus City School District and a loss in revenue of approximately \$2,800 for other local governments (counties, townships, etc.).

Transportation Costs – Local

If the district and community school do not provide transportation to the student of a community school, then they may pay the parent of that community school student the amount of the actual cost to the district to provide transportation.

State Costs

Community Schools Oversight and Monitoring

At present, the Office of School Options (OSO) at the Department of Education provides academic oversight for community schools. There are 8 employees in the OSO, but their time is split between community schools, non-public schools, etc. The Office of School Finance (OSF) at the Department of Education provides fiscal oversight for community schools. The bill requires the Department of Education to oversee the sponsors of community schools and to provide technical assistance to schools and sponsors. The department would also be responsible for the monitoring the compliance of sponsors with their contract duties. This would likely not affect the state, as the department is already performing most of these oversight duties.

Federal Title I Allowance

Recent federal legislation, H.R. 1 (“Leave No Child Behind”), mandates that children in failing schools (according to the federal definition) may transfer to a charter/community school and the Title I funds allocated to that student follow him/her to the community school. H.B. 364 underscores this requirement by stating that the Department of Education is required to include community schools in its annual allocation of federal Title I money.

Transportation Costs – State

Transportation costs are based on nonpublic and special education rules. That is, community schools would be subject to the same requirements as nonpublic and special education schools for transportation purposes, thereby receiving a portion of the appropriation item 200-503, Bus Purchase Allowance, that is set aside (25%) for those schools. As long as the state’s mileage requirement for the year is met, then any bus purchases are reimbursed at a rate of 100%.

The substitute bill amends current law to require school districts to provide transportation to community school students on the same basis as to nonpublic school students. The exception to this would be if the district and the community school have entered into a contract under which the community school provides transportation to its students. In addition, if the school district does not provide the transportation as required by law, then the state will deduct the cost from the district’s account.

Formula ADM

The formula average daily membership (ADM) is calculated during the first full week in October. From that calculation, school districts receive money from the Department of Education based on the base cost funding amount for a given fiscal year. Community school students are added to this count, but only if they are enrolled before the first full week in October. The bill would require the Department of Education to adjust the formula ADM of the school district in which the community school student was excluded because he/she was not enrolled by the first full week of October. The bill also requires the Department of Education to make the first payment to a community school within 30 days of receipt of its initial reported enrollment and to periodically make additional payments to the school that are adjusted for changes in the school’s enrollment. The department then has to recalculate the school district’s payments for the entire fiscal year. The cost to the state for this portion of the bill is dependent on the number of new community schools that are established after the first full week in October.

Community School Classroom Facilities Loan Guarantee and Support Programs

This bill also creates the Community Schools Classroom Facilities Support Program, which requires the Ohio School Facilities Commission (OSFC) to pay a per pupil stipend of \$450 to each start-up community school. This per pupil stipend is to be paid in any fiscal year in which the General Assembly appropriates money for that purpose. It also permits all community schools to participate in the Community School Classroom Facilities Loan Guarantee Program. Loans made under the loan guarantee program can be used for new construction of the school buildings.

According to the OSFC, the stipend per pupil would cost approximately \$8.1 million annually (based on the current number (18,100) of community schools students multiplied by \$450). The OSFC also stated that, although the capital funds used for this stipend would otherwise be allocated to city, local, and exempted village school districts and, therefore, would experience a loss in revenues, these districts would still eventually receive funding from the OSFC. The earmark for the stipend would simply slow this process unless additional funds are provided.

Tuition Free Education for Students Over 22 Years of Age

The bill requires all school districts and community schools to provide tuition free education for students over 22 years of age. The effect of this provision is dependent on the number of students over 22 who decide to re-enroll in school. However, at a cost of \$4,814 (the current base cost amount) per student, this provision could cost the state millions of dollars if enough potential students showed interest in the opportunity.

In March 1998, there were approximately 7.2 million people in Ohio who were 25 or older. Of that 7.2 million, nearly 1 million had not completed high school. Currently, there are approximately 700 adult participants in the Adult High School Continuation program and approximately 65,600 participants in the Adult Basic and Literacy Education (ABLE) program. If all of them decided to participate in the tuition free program in the bill, the cost to the state would be nearly \$320,000,000 per year. LSC is still waiting for information from NCSL on whether there are other states that participate in a tuition free program for adults and how such a program affects their budgets.

The bill is unclear as to whether this provision would be restricted to full-time students, or if part-time students would be permitted. In that case, the base cost may have to be adjusted to account for the difference between full-time enrollment and part-time enrollment. Part-time enrollment would greatly increase the number of students participating in the program.

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