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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**S.B. 377**  
**136<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for S.B. 377's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsor:** Sen. Gavarone

**Local Impact Statement Procedure Required:** No

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### **Highlights**

- The bill creates the Educational Service Center Facilities Assistance Program (ESC-FAP), under the Ohio Facilities Construction Commission (OFCC), to provide state financial assistance for educational service center (ESC) facilities. Depending on the number of ESCs that choose to participate in the program and the scope of those projects, state facilities funding obligations could increase significantly.
- The bill does not provide additional funding to support the program. If OFCC supports the program by using existing appropriations from the School Building Program Assistance Fund (Fund 7032), other state-funded school facilities projects may be delayed.
- OFCC's administrative costs may increase up to hundreds of thousands of dollars annually to hire additional staff to manage ESC-FAP, mostly depending on program scale and demand.
- The bill creates the Educational Service Center Revolving Loan Fund and authorizes the Treasurer of State (TOS) to provide deposit and loan guarantee programs for ESC facility acquisition and improvements. The bill does not provide an appropriation to support the fund.
- TOS's costs to administer the program will presumably be covered using transaction fees similar to those required in existing TOS linked deposit and loan programs.

### **Detailed Analysis**

The bill makes various changes to current law to provide additional state support and avenues for educational service centers (ESCs) to acquire or improve facilities used for operations

or direct student services. The potential fiscal effects of these provisions are discussed below, followed by background information about ESCs.

## **ESC facilities assistance**

### **ESC Facilities Assistance Program**

The bill creates the Educational Service Center Facilities Assistance Program (ESC-FAP) for the Ohio Facilities Construction Commission (OFCC) to provide financial assistance for the acquisition, construction, renovation, or improvement of ESC facilities used for operations or direct student services. Under the program, OFCC may provide financial assistance to an ESC in the form of grants, loans, or a combination of both. OFCC must give priority to projects that demonstrate a local match through levy approval, building or land donations, or other in-kind contributions.

ESC-FAP will likely increase, perhaps significantly so, state facilities funding obligations, mostly depending on how many of the 51 ESCs choose to participate and the scope of those projects. However, the bill does not provide additional funding to support the program. According to an OFCC spokesperson, the agency may have to draw from Fund 7032 appropriation line item (ALI) C23002, School Building Program Assistance, which supports OFCC's other school facilities assistance programs including OFCC's main school facilities assistance program, the Classroom Facilities Assistance Program (CFAP). If OFCC draws from this line item for ESC facility projects without a corresponding increase in appropriation, state funding for other school facilities projects may be delayed.

Administrative costs for ESC-FAP are expected to be minimal initially but may expand significantly in the future as the program is funded and OFCC determines the scope of the projects. According to the OFCC spokesperson, administrative costs for ESC-FAP initially could be absorbed using existing staff. Ultimately, the cost of the program itself is unknown because OFCC has not previously worked with ESC facilities and lacks information about the needs of any of the ESCs. If ESC participation is high or facility needs are significant, OFCC may need to hire additional staff – such as a planner and project manager – resulting in additional annual payroll costs perhaps in the hundreds of thousands of dollars range, including salary and benefits.

### **ESC Revolving Loan Fund**

The bill also establishes the ESC Revolving Loan Fund and authorizes the Treasurer of State (TOS) to use it to support deposit programs and loan guarantee programs for ESC facility projects used to provide direct student services. The fund will consist of money appropriated to it by the General Assembly and any investment earnings on money in the fund. TOS must adopt rules to implement and administer the fund. The bill does not capitalize the fund with moneys to support the deposit and loan guarantee programs for ESC facility projects.

The administrative workload of TOS may increase to administer the fund. According to a spokesperson from TOS, any increased administrative costs would likely be covered through transaction fees, consistent with the funding structure of other deposit and loan guarantee programs. Because the bill creates the fund without transferring money into it, TOS indicates that the new programs cannot operate until the General Assembly transfers money into the fund and appropriates it. Until that time, TOS will only be able to perform initial rulemaking.

## **Voluntary sale of school district property**

The bill modifies procedures for school districts voluntarily selling property exceeding \$10,000 in value in two ways. First, it revises the right of first refusal established under continuing law, which requires a school district to first offer to sell real property to other public schools located in the district prior to offering to sell it to other buyers. In other words, under the bill, if no community school or science, technology, engineering, and mathematics (STEM) school in the district offers to purchase a property under the right of first refusal, then the district must offer it to ESCs that share territory with the district or have territory adjacent to the district. Second, the bill adds ESC governing boards to the priority list of public entities that may offer to purchase school district property before such property is offered at public auction.

Overall, the bill provides ESCs with two methods of acquiring school facilities property and possibly at lower cost than they would have otherwise incurred by not having to pay for property at a public auction. Additionally, according to the Ohio Association of School Business Officials (OASBO), the fiscal effect on school districts resulting from these procedural modifications is expected to be, at most, minimal as districts rarely sell real property resulting in low sale activity. Furthermore, any difference between the price from a direct sale and a public auction is typically negligible, or nonexistent, making statewide revenue impacts minimal. Therefore, while some districts may forgo marginally higher auction revenue in specific cases, the overall fiscal impact for school districts appears to be minimal.

## **Grant program eligibility**

The bill clarifies that ESCs are eligible to participate in and receive support through any grant programs that are available to school districts and focused on school facility health, safety, and welfare. It also requires the Department of Education and Workforce to ensure that ESCs are eligible for such grant programs. Presumably, this provision may make ESCs eligible for some grants that they would otherwise be unable to obtain. However, it is unclear how this will expand ESC access to those grants as ESCs are already considered to be a school district or local education agency for purposes of eligibility in applying for state and competitive federal grants (see the [LSC bill analysis \(PDF\)](#) for more information).

## **ESC background**

ESCs are public, regional service providers that implement state and federal education initiatives, reduce duplication of services, and provide support in areas such as curriculum, instruction, special education, early childhood education programming, technology assistance, professional development, student services, cooperative purchasing, and administrative and fiscal operations. ESC services generally are driven by the needs of the client school districts with which they have service agreements. ESCs do not have taxing authority. ESCs rely mainly on fees from client districts for contracted services but also receive state operating support, other state formula-driven funding for specific services, and competitive grants.