



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 37 of the 132nd G.A.  
(L\_132\_0652-1)

**Status:** In House Education and Career Readiness

**Sponsor:** Rep. Arndt

**Local Impact Statement Procedure Required:** No

**Subject:** The 1:1 School Facilities Option Program

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### State & Local Fiscal Highlights

- Traditional school districts and joint vocational school districts (JVSDs) that may not actually participate in and therefore may not receive any actual funding from any of the state's school facilities assistance programs, including the existing Classroom Facilities Assistance Program (CFAP), may choose to participate in the bill's new program to receive some state funds for facilities projects.
- Each school district may receive up to the greater of either \$1 million or 10% of the state's share of the district's basic project cost (for the district's entire facilities needs) and is required to match state funding on a 1:1 basis. The number of districts opting for this CFAP alternative program and the amount of state funds these districts will receive will depend on the scope of the projects, a facilities needs assessment conducted by the Ohio School Facilities Commission, as well as the program's guidelines, procedures, and appropriation levels.

### Detailed Fiscal Analysis

The bill establishes the 1:1 School Facilities Option Program, a program that allows eligible school districts to apply for state funds for constructing, acquiring, reconstructing, or making additions or repairs to classroom facilities. In order to qualify, a traditional school district or JVSD must not have received state assistance from any school facilities assistance program or must have only received partial assistance from the Ohio Department of Education prior to May 20, 1997 (before the Ohio School Facilities Commission (SFC) was created).

The new program will provide an alternative facilities assistance option to the Classroom Facilities Assistance Program (CFAP), SFC's main school facilities assistance program, and the Vocational Facilities Assistance Program (VFAP), a similar program that provides state funding for facilities projects to JVSDs. Under both programs, the state funding is provided as a percentage of a district's "basic project cost" to address the entire classroom facilities need of the district or JVSD. All school districts and JVSDs are

eligible for CFAP or VFAP funding, respectively. However, the state share of a district's basic project cost is generally higher for lower wealth districts. A school district generally passes a bond levy to meet its required local share to participate in CFAP. A lower wealth district is also generally served sooner as the order for each district to be served by CFAP largely depends on the district's wealth.

Under the new program, eligible school districts may receive the greater of either \$1 million or 10% of the state's share of the district's basic project cost (for the entire facilities needs of the district). A district that opts for funding under the new program must provide local matching funds on a one-to-one basis. However, school districts and JVSDs would not be eligible to participate in the new program until they become eligible for CFAP or VFAP funding based on their wealth ranking. Further, a district opting to participate in the new program will not be eligible for CFAP or VFAP funding for 20 years following the date of the agreement for the project funded under the new program in the bill. An eligible school district wishing to participate must request SFC to assess the current conditions of classroom facilities of the district. The assessment will be used to determine the scope and basic project cost of a district's facility needs as well as the state's portion of the basic project cost if the district were to receive assistance under CFAP or VFAP. This requirement may increase the administrative workload of SFC, as the facility assessments for some districts may need to be completed sooner than otherwise.

Presumably, a district or JVSD is most likely to participate in this new program if the district or JVSD is not likely to participate in existing funding programs even in the absence of this alternative funding program. For example, some higher wealth districts may not actually participate in CFAP when their turn comes up, due to their relatively low state shares of the basic project costs. A district may also choose to participate in this CFAP alternative funding program if the district has concluded that it may not be able to raise its required CFAP local share. Given the smaller scale of funding involved for projects under the new program, school districts may find it easier to raise the required local match, which the bill permits to be from any lawful source. Overall, this new program may provide some state funds to districts that may not actually receive any funding from CFAP or VFAP although they are eligible. The actual amounts of state funding will be dependent on the scope of the projects, the facilities needs assessment conducted by SFC for each eligible district, as well as the program's guidelines, procedures, and appropriations.

Through the end of FY 2016, 21% of school districts statewide, including 121 regular districts and 17 joint vocational school districts (JVSDs), have not yet been offered CFAP funding. Another 23% of districts, including 133 school districts and 17 JVSDs, have been offered funding, but have either deferred the offer, allowed it to lapse because they were unable to secure the required local share, or are in the process of seeking the required local share. Presumably, some of these districts may choose to participate in the new funding program established under the bill.

In contrast, 41% of districts statewide, including 257 school districts and 14 JVSDs, have completed CFAP projects that fully addressed their facilities needs and another 15% of districts, including 99 regular districts and one JVSD have buildings in the design or construction phase. These districts will not be eligible for funding from the new program established under the bill.

Through the end of FY 2016, the General Assembly has appropriated \$12.9 billion and SFC has disbursed a total of \$11.3 billion for school facilities projects. The average state share of new school facilities assistance projects is about 45% in FY 2017. This percentage is expected to decrease to 40% in the FY 2018-FY 2019 biennium as more districts with higher wealth will be served by CFAP. On average, SFC embarks on 20 to 25 new projects each year.

## **Synopsis of Fiscal Effect Changes**

- The substitute bill (L\_132\_0652-1) limits the state's maximum financial obligation for individual projects to the greater of \$1 million or 10% of the state's share of the district's basic project costs for the district's entire facilities needs and requires a school district to match the state's contribution on a one-to-one basis. The As Introduced (previous) bill did not specify state or local share requirements. Rather, it required SFC to adopt guidelines and procedures for the administration of the program, including the method for determining the state and local portions of the project cost.
- The substitute bill delays the timeframe in which school districts may receive funding under the bill and thus, some amount of state expenditures for the program, by requiring a school district be eligible for CFAP or VFAP funding based on its wealth ranking before it is eligible to participate in the proposed program. The previous bill did not contain such a requirement, presumably allowing a district to receive state funds under the program sooner than it would have received funding under CFAP or VFAP.
- The substitute bill modifies the type of projects eligible for funding under the new program to the construction, acquisition, reconstruction, addition, or repair of classroom facilities, allowing for projects that may be larger in scope or cost than under the previous bill. The previous bill limited eligible projects to technology and physical alterations to improve technology infrastructure or safety and security.