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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 4
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 4's Bill Analysis](#)

Version: As Reported by Senate Finance

Primary Sponsors: Sens. Rulli and Kunze

Local Impact Statement Procedure Required: No

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Highlights

- The bill increases debt-supported capital appropriation and bonding authority for school facilities projects by \$100 million for the FY 2019-FY 2020 capital biennium.
- The bill's funding increase accelerates the offering of school facilities assistance to certain districts and, accordingly, may decrease the time it will take for the state to reach its goal of offering facilities assistance to all school districts in the state. Assuming the state continues to fund this goal, the overall cost to the state may decrease.
- GRF debt service costs on the general obligation bonds issued for school facilities assistance may increase for some period of time, depending on the level of future bond issuances, the maturity of the bonds issued, and market conditions.

Detailed Analysis

School facilities assistance

The bill provides additional state funding for school facilities projects for the FY 2019-FY 2020 capital biennium by increasing Fund 7032 capital appropriation item C23002, School Building Program Assistance, by \$100 million and raising by a corresponding amount the authority to issue general obligation (GO) bonds for the projects. Item C23002, in combination with cash appropriations from the Public School Building Fund (Fund 7021) and the Lottery Profits Education Fund (Fund 7017), provides the state share of project costs to school districts participating in facilities programs overseen by the Ohio Facilities Construction Commission (OFCC). H.B. 529, the current capital appropriations act, appropriates a total of \$600 million for the state share of project costs for the FY 2019-FY 2020 capital biennium. The bill, therefore, would increase total funding to \$700 million for the biennium.

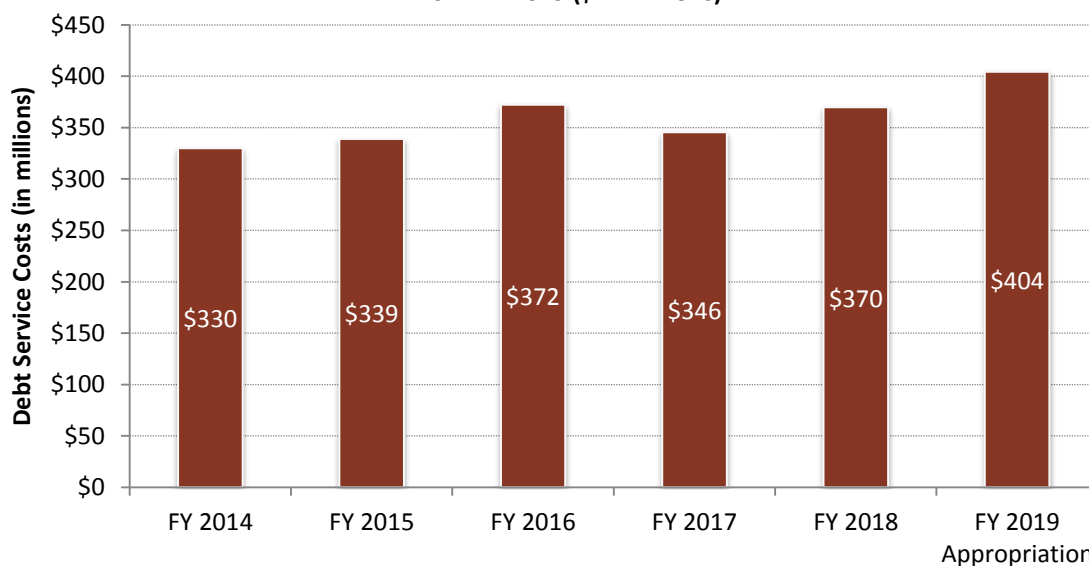
Most of OFCC's school facilities appropriations are provided to districts through the Classroom Facilities Assistance Program (CFAP). State funding under CFAP is provided as a percentage of a district's "basic project cost" to address the entire classroom facilities needs of the district. All school districts are eligible for CFAP. However, the state share of a district's basic project cost is based on each district's relative wealth. Lower wealth districts are funded before higher wealth districts and receive a larger percentage of their total project funding from the state. A school district generally passes a bond levy to meet its required local share to participate in CFAP. In recent years, the state share of school facilities projects under CFAP has averaged about \$23 million, or about \$10 million per school building constructed or renovated.

As of the end of FY 2018, 144 traditional and joint vocational school districts (22%) had not yet been offered CFAP funding and another 119 districts (18%) had been offered funding but had not yet accepted it. The bill's additional appropriation accelerates the offering of funding to the school districts next in line on the eligibility ranking list, which may decrease the time it takes for the state to reach its goal of offering funding to all districts. Thus, the bill may decrease the overall cost to the state of the program. Also, OFCC's administrative workload may increase to manage a larger number of projects. The number of projects funded sooner than otherwise will depend on a variety of factors, including the availability of local funding for the required local share, the size of the school facilities projects for the districts next in line to receive funding, the pace of construction already underway, anticipated commitment of future capital funds, and equipment or materials costs.

GRF-backed debt service

The GRF supports debt service payments on GO bonds issued to raise funds for the state share of school facilities project costs. The debt service payments related to school facilities bonds are included in the 5% "cap" on the amount of GRF-backed debt that the state may incur in a given fiscal year. The authorization of additional GRF-backed debt for the FY 2019-FY 2020 capital biennium may increase the state's debt service costs for some period of time, depending on the level of future bond issuances, the term to maturity of the bonds issued, and the yield (or interest rate the state pays) based on market conditions at the time of issuance. As a point

**GRF Debt Service Costs for Common Schools GO Bonds,
FY 2014-FY 2019 (\$ in millions)**



of reference, the chart above illustrates GRF debt service costs on “common schools” GO bonds for the previous five fiscal years and the FY 2019 appropriation for this purpose. As can be seen in the chart, GRF debt service costs for school facilities projects have generally been trending upward, with over \$404 million appropriated for principal and interest payments in FY 2019.