



Ohio Legislative Service Commission

Bill Analysis

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S.B. 15

130th General Assembly
(As Introduced)

Sens. Sawyer, Brown, Cafaro, Gentile, Kearney, Schiavoni, Skindell, Tavares, Turner

BILL SUMMARY

School funding

- Requires the General Assembly to deliberate and determine the components of a "high quality public education" and the cost for each component and then to enact necessary changes to the law to create a new school funding system based on those determinations.
- Creates the Education Trust Fund in the state treasury.

Education Management Information System Advisory Board

- Adds the Chancellor of the Board of Regents to the membership of the Education Management Information System Advisory Board.

School district property tax levies

- Reduces, in tax year 2016, the cumulative rate of all school district current expense property tax levies to no more than 34 mills per dollar.
- Gradually reduces, from tax year 2017 to 2021, the cumulative rate of all school district current expense levies to no more than 20 mills per dollar.
- Limits, beginning in tax year 2022, the cumulative rate of all school district current expense levies to no more than 20 mills and designates that millage as each district's "local revenue contribution."

- Exempts local revenue contribution levies from the tax reduction factor, thereby allowing revenue to increase with property values, and repeals the 20-mill floor for school district property tax levies.
- Prohibits school districts from levying new current expense levies, beginning in tax year 2014, but allows school districts to levy property tax for the purpose of furnishing additional educational opportunities.

Local Government Fund

- Revises the formula for distributions to the Local Government Fund (LGF) by allowing use of FY 2011 distributions as the base for calculating future distributions.

Voter approval of the bill's provisions

- Specifies that the bill's provisions take effect only if approved by a majority of the voters at the general election held on November 3, 2013.

CONTENT AND OPERATION

School funding

Deliberations on a future school funding system

The bill requires the General Assembly to do all of the following:

(1) Devise, organize, and conduct proceedings to deliberate and determine the components of a "high quality public education" and the cost for each component;

(2) Prescribe these components by statute enacted not later than July 1, 2014, with an effective date of July 1, 2015;

(3) Prescribe the cost of each component by statute enacted not later than December 31, 2014, with an effective date of July 1, 2015; and

(4) Deliberate and enact necessary changes to the Revised Code to do all of the following, effective July 1, 2015:

(a) Prescribe funding weights for various categories of students by grade level, educational service, and other demographic or geographic factors to use in determining state funding for public schools;

(b) Provide sufficient state funds to each city, exempted village, and local school district to combine with a local contribution of 20 mills (.020 times tax valuation) so that



each school in the district has the necessary funds to pay the actual cost of a "high quality public education" for each enrolled student;

(c) Provide commensurate state funds to each joint vocational school district to combine with a local contribution, determined appropriate by the General Assembly, so that the district has the funds necessary to pay the actual cost of a "high quality public education" for each enrolled student;

(d) Prescribe the extent to which taxes levied by a joint vocational or county school financing district count toward the local contribution of each member district;

(e) Provide commensurate state funds to each educational service center (ESC), community school, STEM school, college-preparatory boarding school, and any other public education service provider so that the ESC, school, or other provider has the funds necessary to pay the actual cost of a "high quality public education" for each enrolled student;

(f) Prescribe an annual inflation factor for the actual cost of each component of a "high quality public education" and for the funding weights for categories of students that is to be applied in the fiscal years between the reviews required every six years (as described below);

(g) Require that the state moneys appropriated for payments to public primary and secondary education schools for operating expenses be deposited into the Education Trust Fund created by the bill and prohibit the use of those funds for any other purpose.¹

The bill also requires the General Assembly to review and enact additional changes as determined necessary not later than June 30, 2017, and once every two years thereafter.²

Finally, the bill requires the General Assembly to enact a method for, once every six years, reviewing and enacting changes in the components of a "high quality public education," the prescribed costs of the components, and the related funding weights for categories of students. Under the bill, this method must require review of and prescribing changes in the components not later than July 1, 2017, and once every six years thereafter. Then, the method must require review of and prescribing changes in

¹ R.C. 3317.016(A) to (C).

² R.C. 3317.016(D).

the actual cost of each component and the funding weights not later than December 31, 2017, and once every six years thereafter.³

Definition of "high quality public education"

The bill relies on S.J.R. 2 of the 130th General Assembly, which is currently pending in the Senate Finance Committee, for its definition of "high quality public education." As specified in S.J.R. 2, "high quality public education" means "preparing each student enrolled in a public primary or secondary school for each next grade or program of education so that the student has the opportunity to be successful in that level or program and preparing that student so that, after graduation from high school, the student can carry out the duties of citizenship and function at the highest level of the student's abilities in post-secondary education or gainful employment."⁴

Education Trust Fund

The bill creates the Education Trust Fund in the state treasury. This fund must be used only for the purpose of making payments for operating expenses to public primary and secondary schools.⁵

Education Management Information System Advisory Board membership

The bill adds the Chancellor of the Board of Regents to the membership of the Education Management Information System (EMIS) Advisory Board.⁶ EMIS is a statewide electronic database of public school fiscal, staff, and student data. Data submitted to EMIS is used to determine funding for school districts and to compile the district and building report cards issued by the Department of Education.⁷

Currently, the EMIS Advisory Board consists of the following 13 voting members:

- (1) Two members of the State Board of Education, appointed by the State Board;
- (2) One person appointed by the Ohio Educational Service Center Association;
- (3) One person appointed by the Buckeye Association of School Administrators;

³ R.C. 3317.016(E).

⁴ Proposed Ohio Constitution, Article VI, Section 7(B)(3) in S.J.R. 2 of the 130th General Assembly.

⁵ R.C. 3317.017.

⁶ R.C. 3301.0713.

⁷ R.C. 3317.0714, not in the bill.



(4) One person appointed by the Ohio Association of School Business Officials;

(5) One person appointed by the Ohio Association of EMIS Professionals;

(6) One representative of four-year institutions of higher education appointed by the Board of Regents. The bill changes this provision to clarify that the Chancellor of the Board of Regents makes this appointment.

(7) One representative of two-year institutions of higher education, appointed by the Ohio Association of Community Colleges;

(8) Two representatives of the Department of Education, appointed by the Superintendent of Public Instruction;

(9) Two persons appointed by the Management Council of the Ohio Education Computer Network; and

(10) One classroom teacher appointed jointly by the Ohio Education Association and the Ohio Federation of Teachers.

The chairpersons and ranking minority members of the education committees of the House and Senate, or their designees, also serve as nonvoting members of the Advisory Board.

School district property tax levies

Current expense levies

The bill limits the total rate of property tax that a school district may levy for current expenses of the school district, and gradually reduces those existing levies until the cumulative rate of all current expense levies equals 20 mills for each dollar of taxable property value in the school district (20 mills per dollar is equivalent to 2% of taxable value). Beginning in tax year 2016, if the cumulative rate levied by all current expense levies exceeds 34 mills (3.4%), the rate of each levy is proportionately reduced until the cumulative rate equals 34 mills. Then, to the extent the cumulative rate exceeds 20 mills, the rate is proportionately reduced in one-sixth increments between tax year 2017 to 2021. In tax year 2022, the maximum cumulative rate of all current expense levies cannot exceed 20 mills. The bill refers to these proportionately reduced levies as each district's "local revenue contribution," which, under the bill, is the amount of local tax money each district must raise to pay its share of the educational components that the bill prescribes.

Property taxes levied by school districts for purposes other than current expenses and school district income taxes are not affected by this reduction or limitation, but



school district income taxes levied for current expenses count toward a district's 20-mill local contribution.⁸

Tax reduction factor

Under continuing law, a tax reduction factor prevents appreciation in real property values from causing proportionate increases in some types of real property taxes, and effectively eliminates any change in revenue from voted levies that would otherwise occur when existing real property values in a taxing unit is reappraised or updated. Generally, the law ensures that, unless new taxes have been approved by voters, the total amount of taxes raised in one year in a taxing district is not greater than the total amount of taxes levied on the same property in the preceding year. The law does allow tax increases resulting from the addition of new property to the tax lists (e.g., new buildings and additions to existing buildings). For school district property taxes, tax reduction factor law provides a tax rate below which levies may not be further reduced by the tax reduction factor. Under current law, the rate floor is 20 mills and is referred to as the "20-mill floor."

The bill exempts a school district's local revenue contribution from being reduced under the tax reduction factor law.⁹ The bill additionally repeals the 20-mill floor since each school district's local revenue contribution is limited to 20 mills and would no longer be reduced by operation of the tax reduction factor.¹⁰

Additional educational opportunity levies

The bill removes the ability of school districts to levy property tax for the purpose of paying districts' current expenses beginning with tax year 2014. The bill authorizes school districts to propose levies to fund educational components additional to the educational components required to be funded in S.J.R. 2 ("additional educational opportunity levies") in lieu of levying a tax for current expenses.¹¹ That joint resolution requires the funding of curricular and extracurricular programs that prepare each public school student for successful advancement and prepare each student, upon

⁸ R.C. 5705.17. S.J.R. 2, the enactment of which is precedent for the bill to take effect, specifically authorizes the reduction and limitation of existing current expense levies as described in the bill.

⁹ R.C. 319.301(A). S.J.R. 2, the enactment of which is precedent for the bill to take effect, amends Section 2a of Article XII of the Ohio Constitution to exempt local revenue contribution millage from the tax reduction factor law.

¹⁰ R.C. 319.301(E).

¹¹ R.C. 5705.17(C), 5705.194, 5705.199, 5705.21, 5705.212, 5705.213, 5705.217, and 5705.218; Section 3.



graduation, to carry out the duties of citizenship and function at the highest level of the student's abilities in post-secondary education or gainful employment.

Additional education opportunity levies are subject to continuing law's requirements regarding the imposition and administration of school district property tax levies, and such levies that are levied at a fixed rate are subject to the tax reduction factor.¹²

Local Government Fund

The bill revises the formula by which General Revenue Fund revenue is credited to the Local Government Fund (LGF). Under continuing law, monthly allocations to the LGF must be made from any or all GRF tax sources. Under current law, beginning with FY 2014, the percentage of GRF tax revenue allocated to the LGF is whatever percentage of those revenues are required to freeze the allocation at the LGF's respective FY 2013 level. For example, if the total FY 2013 LGF allocation is 1.7% of the total FY 2013 GRF revenue, 1.7% of monthly FY 2014 GRF revenue is to be credited each month of FY 2014 to the LGF.

The bill modifies the LGF crediting formula by requiring the greater of the amount described above or the amount that was credited to the LGF for the same month in FY 2011, adjusted proportionately according to the percentage by which Ohio personal income changes, to be credited to the LGF for each month. The bill also requires LGF revenue to first be credited to a new fund, to be called the Local Government Trust Fund, before being credited to the LGF.¹³

Voter approval of the bill's provisions

The bill specifies that its provisions take effect only if approved by a majority of the voters at the general election that is to be held on November 3, 2013. Although Section 26 of Article II of the Ohio Constitution generally prohibits the General Assembly from enacting laws that take effect upon any authority other than the General Assembly, that section makes an exception for any law that "relates to public schools."

Upon passage of the bill by the General Assembly, the Secretary of State must submit to the voters of the entire state at the general election to be held on November 3, 2013, as a single proposal, the question of approval of the bill's provisions. The Ohio Ballot Board must prepare arguments for and against the proposal, not to exceed 300

¹² See R.C. 319.301.

¹³ R.C. 131.51. H.B. 153 of the 129th General Assembly generally reduced the amount credited to the LGF by 50% beginning in FY 2013 compared to FY 2011 amounts.



words each, and must file them with the Secretary of State not later than 60 days prior to the election. The ballot language and the arguments must be available for public inspection in the Office of the Secretary of State and at other places determined by the Secretary of State.

If the bill's provisions are approved at the election, they take effect on the date the Secretary of State certifies the results of the election, and the General Assembly must enact additional changes in law necessary to implement those provisions. If the bill's provisions are not approved at the election, they expire.¹⁴

HISTORY

ACTION	DATE
Introduced	02-12-13

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¹⁴ Sections 4, 5, and 6.

