Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 447 of the 130th G.A.

Date: April 2, 2014

Status: As Reported by House Education

Sponsor: Rep. Lynch

Local Impact Statement Procedure Required: No

Contents: Creates the Consolidated District Loan Program in the Facilities Construction Commission

State Fiscal Highlights

STATE FUND	FY 2014	FY 2015	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	Potential increase due to loan repayments
Expenditures	- 0 -	Potential increase of $10 million	Potential increase for future loans depending on appropriation

Note: The state fiscal year is July 1 through June 30. For example, FY 2014 is July 1, 2013 – June 30, 2014.

- The bill creates GRF appropriation item 230501, Consolidated District Loan Program, in the Facilities Construction Commission (FCC) budget, with an appropriation of $10 million in FY 2015. Expenditure of this appropriation is dependent on a district qualifying for and receiving a loan under the consolidated school district loan program created by the bill.
- If a loan is awarded under the bill, revenues in future years will increase as the district pays back the loan according to rules adopted by the School Facilities Commission (SFC).
- Administrative costs will increase for the Department of Education (ODE), the Auditor of State (AUD), and SFC if districts seeking to consolidate that may qualify for a loan request a study to identify savings that could result from the consolidation.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2014	FY 2015	FUTURE YEARS
Eligible School Districts			
Revenues	- 0 -	Potential increase of $10 million	Potential increase for future loans depending on appropriation
Expenditures	- 0 -	- 0 -	Potential increase due to loan repayments

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- If a district forms from consolidation and is awarded a loan under the consolidated school district loan program created by the bill, its revenues may increase by up to $10 million the year the loan is awarded. In future years, the district's expenditures will increase to make payments on the loan.

Detailed Fiscal Analysis

The bill permits an eligible school district resulting from the consolidation of two or more school districts or from a voluntary transfer of the entire territory of a school district to apply to the School Facilities Commission (SFC) for a loan of up to $10 million to construct a new classroom facility. The bill creates GRF appropriation item 230501, Consolidated District Loan Program, in the Facilities Construction Commission (FCC) budget, with an appropriation of $10 million in FY 2015, to fund a potential loan. Expenditure of this appropriation will depend on the district meeting the following conditions:

1. Each of the consolidating districts has a student enrollment of less than 1,700 and both are located in the same county, which has a population of less than 100,000.
2. Neither of the consolidating districts has received assistance from SFC.
3. Prior to the consolidation, the Department of Education (ODE), in consultation with the Auditor of State (AUD) and SFC, conducts a study and determines that the district will be able to repay the loan within 15 years by using up to 80% of the projected savings from the consolidation.

School district consolidations have been rare for many years. In fact, the last time two school districts in Ohio consolidated was in FY 1993.[1] The bill does, however, provide an incentive for consolidations, so they may be more frequent under the bill.

[1] Self, Tucker L. "Evaluation of a Single School District Consolidation in Ohio." *American Secondary Education* 30.1 (2001): 71. *MasterFILE Premier*. Web. 1 October 2013.

The bill directs SFC to adopt rules regarding making the loans and the repayment of the loans. If a loan is made under the bill, state revenues will presumably increase in future years as the loan is repaid.

Even if a loan is not made under the bill, ODE, AUD, and SFC could incur administrative costs to conduct a study to identify savings from a proposed consolidation. Under the bill, the agencies must conduct such a study upon the request of districts that may be eligible for a loan if they consolidate.

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