



OHIO LEGISLATIVE SERVICE COMMISSION

Jason Glover and other LSC staff

Fiscal Note & Local Impact Statement

Bill: H.B. 512 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Reineke

Local Impact Statement Procedure Required: No

Subject: Reorganizes administration of primary, secondary, and higher education programs

Fiscal Highlights

- The bill's effect on state operating expenditures appears to be limited, as the reorganization of the Ohio Department of Education (ODE), Department of Higher Education (DHE), and the Office of Workforce Transformation (OWT) into the new Department of Learning and Achievement (DLA) does not alter the scope or operation of current programs.
- The bill eliminates the position of Chancellor of Higher Education with an annual salary and benefit cost of about \$216,000, but creates the position of DLA Director, which may result in a comparable increase in costs. The bill also requires that at least two assistant directors be appointed. Payroll costs for any new assistant director positions may range from \$126,000 to \$162,000.
- There may be some administrative costs to relocate OWT's five employees and procure new signage and other branded materials for DLA, but these costs are not likely to be significant.
- Overall, ODE and DHE currently employ 645 full-time, permanent employees. The two agencies spent a total of \$13.6 billion in FY 2017, \$10.4 billion (76.8%) of which came from the GRF. About \$13.1 billion (96.3%) of the agencies' spending flowed as subsidy to outside entities. Personal services costs for salaries, benefits, and other payroll-related charges were about \$68.1 million (0.5%) of the total in FY 2017.

Detailed Fiscal Analysis

Overview

The bill provides for a reorganization of the state's education agencies. The bill creates a new state agency, the Department of Learning and Achievement (DLA), headed by a director appointed by the Governor with the advice and consent of the Senate, to oversee primary, secondary, and postsecondary education. The bill transfers to DLA (1) most of the powers and duties of the State Board of Education, Superintendent of Public Instruction, and Ohio Department of Education (ODE) and

(2) all of the powers and duties of the Chancellor of Higher Education, Department of Higher Education (DHE), and Governor's Office of Workforce Transformation (OWT).

As part of transferring these responsibilities, the bill abolishes DHE and eliminates the position of Chancellor of Higher Education. Additionally, it abolishes the Ohio Board of Regents, which is an advisory board to the Chancellor. The Superintendent and ODE retain some current law responsibilities. From a fiscal perspective, this most notably involves administration of educator licenses and the educator disciplinary process.

Fiscal effects

Potential staffing costs and savings

The bill provides for the transfer to DLA of all employees of DHE and OWT and, where applicable, those of ODE. The bill does not alter the scope or operation of the programs currently administered by those entities. As a result, most, if not all, of the current employees will continue to perform their currently prescribed duties. In the short term, an administration official indicates that there are no plans for layoffs in the wake of the reorganization. That official also indicated that approximately 85% of ODE staff will transfer to DLA while the remaining 15% will continue to be employed by ODE to carry out the current law responsibilities it retains under the bill.

The bill eliminates the position of Chancellor of Higher Education, but creates the position of DLA Director. The new Director's annual payroll cost (including salary and fringe benefits) may be comparable to the Chancellor or Superintendent, depending on the qualifications and experience of the individual appointed. The base pay rates for the Chancellor and the Superintendent range from \$83 to \$89 per hour. The total annual payroll costs for these positions range from about \$203,000 to \$216,000 for the Chancellor and from \$218,000 to \$230,000 for the Superintendent, depending on the single or family health insurance coverage the employee may enroll in.

The DLA Director must appoint assistant directors to oversee higher education and OWT and may appoint any additional assistant directors deemed necessary. The overall cost for filling these new positions will depend on the number of assistant directors appointed. As a point of reference, these assistant directors would likely be comparable to a higher level deputy director position, which earn base pay rates between \$50 and \$60 per hour, with annual base pay ranging from \$104,000 to \$125,000. Annual payroll costs for each of these positions may range from \$126,000 to \$162,000, depending on health insurance coverage.

There is a potential for future personnel cost savings at DLA if efficiencies are found in nonprogrammatic areas, such as legal services, human resources, communications, and information technology. Such administrative efficiencies would likely be achieved through natural attrition. That is, some current positions may not be filled after an employee retires or otherwise leaves the agency.

Moving and signage costs

Other fiscal effects associated with the bill are not likely to be significant. In most cases, current employees will not be required to relocate buildings, as all of ODE and DHE's respective employees are located in the same building at 25 South Front Street in Columbus. However, OWT's five employees are located in a different building. There may be a minimal cost to relocate these employees. According to an administration official, there is sufficient space in the Front Street building to accommodate them. There may also be some minimal signage costs incurred to rebrand buildings, offices, letterhead, and other materials.

Budget changes

As part of the reorganization, the bill requires the Director of Budget and Management to make any accounting or budget adjustments necessary to implement the bill in FY 2018 and FY 2019, including the transfer, establishment, or reestablishment of appropriations, funds, and encumbrances within or between ODE and DHE to DLA.

Agency overviews

Departments of Education and Higher Education

The following table summarizes various staffing and financial information for ODE and DHE. As the table shows, ODE and DHE currently employ a total of 645 full-time, permanent employees, with ODE employing 553 (85.7%) and DHE employing 92 (14.3%), respectively, according to Department of Administrative Services' employee trend reports from December 2017. DHE's figures include employees of the Ohio Tuition Trust Authority, whom the Chancellor currently has operational control over. Together, the agencies spent a total of \$13.6 billion in FY 2017. About \$10.4 billion (76.8%) of that amount came from the GRF. Nearly all of the agencies' spending flows to outside entities. Specifically, \$13.1 billion (96.3%) was distributed as subsidy to traditional and joint vocational school districts, community schools, chartered nonpublic schools, educational service centers, public colleges and universities, and other education providers in FY 2017. Together, ODE and DHE paid \$68.1 million (0.5%) for salaries, benefits, and various other payroll-related charges. Overall, the agencies retained \$233.1 million (1.7%) for operating costs, including payroll, purchased services contracts (primarily the state's K-12 assessments), supplies, maintenance, and equipment.

Selected Employment and Financial Data, Ohio Departments of Education and Higher Education, FY 2017 (\$ in millions)			
Item	Education	Higher Education	Total
Employment			
Full-time permanent employees (December 2017)	553	92	645
GRF Expenditures (FY 2017)			
GRF expenditures	\$7,873.6	\$2,540.3	\$10,413.9
Total main operating budget expenditures	\$10,956.7	\$2,600.0	\$13,556.8
GRF expenditures as a percentage of total	71.9%	97.7%	76.8%

Selected Employment and Financial Data, Ohio Departments of Education and Higher Education, FY 2017 (\$ in millions)			
Item	Education	Higher Education	Total
Expenditures by Category of Expense (FY 2017)			
Personal services	\$59.2	\$8.9	\$68.1
Purchased personal services	\$110.5	\$9.4	\$119.9
Supplies, maintenance, and equipment	\$42.2	\$2.8	\$45.1
<i>Operating expense subtotal</i>	<i>\$211.9</i>	<i>\$21.2</i>	<i>\$233.1</i>
Subsidy	\$10,728.8	\$2,332.9	\$13,061.7
Debt service	\$0	\$245.5	\$245.5
Other	\$16.0	\$0.4	\$16.5
TOTAL	\$10,956.7	\$2,600.0	\$13,556.8

ODE oversees the K-12 public education system which enrolls approximately 1.7 million students in grades kindergarten through 12. ODE administers the school funding system, collects school fiscal and performance data, develops academic standards and model curricula, administers the state achievement tests, issues district and school report cards, administers Ohio's school choice programs, provides professional development, and licenses teachers, administrators, and other education personnel.

DHE oversees and coordinates Ohio's network of public colleges and universities, known as the University System of Ohio, and a host of independent colleges and universities. DHE authorizes and approves new degree programs at existing institutions, advises the Governor and the General Assembly on higher education policy, advocates for and manages state operating and capital funds for public colleges and universities and student financial aid programs for all students, provides fiscal oversight of all public institutions, identifies gaps in Ohio's trained workforce, and oversees the development of workforce education to fulfill the needs of Ohio's industries, among other responsibilities.

Office of Workforce Transformation

The Governor's Office of Workforce Transformation (OWT) coordinates and streamlines the state's workforce development functions. Funding for OWT's five employees and their work comes from a portion of federal Workforce Innovation and Opportunity Act (WIOA) grants provided by the U.S. Department of Labor. In FY 2017, OWT's budget was approximately \$800,000, funded through appropriations in the Development Services Agency budget. OWT's mission is to grow Ohio's economy by developing a skilled workforce, promoting effective training programs, and connecting Ohio employers with qualified workers. Key directives for OWT include: establishing stronger connections between business and the education and training systems; addressing the skills gap to better ensure that students are prepared to enter the workforce and that Ohio's businesses have access to a skilled, productive workforce; building awareness and increasing the pipeline of students pursuing nonfour-year,

postsecondary degree and certificate pathways to employment; and leveraging nontraditional assets such as the public library system and chambers of commerce to help create a better prepared workforce.

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