

# Fiscal Note & Local Impact Statement

124<sup>th</sup> General Assembly of Ohio

Ohio Legislative Service Commission  
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**BILL:** Sub. H.B. 364 (with amendments 3960, 3967, 3972, 3973, and 3975)      **DATE:** March 19, 2002

**STATUS:** In House Education      **SPONSOR:** Rep. Husted

**LOCAL IMPACT STATEMENT REQUIRED:** Yes

**CONTENTS:** Expands community school law

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## State Fiscal Highlights

STATE FUND	FY 2002*	FY 2003	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	\$8.1 million, in addition to possible additional costs for student transportation	\$8.1 million per year until 2014; after FY 2014, possible additional costs related to student transportation

Note: The state fiscal year is July 1 through June 30. For example, FY 2002 is July 1, 2001 – June 30, 2002.

\*This fiscal note assumes the effects of the bill will not begin until FY 2003.

- For transportation community schools will be treated the same as nonpublic and special education schools. Currently, 25% of appropriation item 200-503, Bus Purchase Allowance is set aside for nonpublic and special education reimbursement assuming that these school districts and educational service centers have met the state's mileage requirement for the year. If the mileage requirement is met, then these districts are fully reimbursed (100%) for bus purchase.
- Assuming there are 18,100 community school students, at a cost of \$450 each, yields a cost of approximately \$8.1 million annually for the next 11 years (the number of years remaining in the Governor's Plan) for the Community School Classroom Facilities Support Program within the Ohio School Facilities Commission (OSFC). This cost would come from OSFC's capital appropriations, thus causing some districts to have to wait for their funding unless the amount allocated increases.

## Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2002*	FY 2003	FUTURE YEARS
<b>School Districts</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase depends on the number of new community schools established	Increase depends on the number of new community schools established

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

\*This fiscal note assumes the effects of the bill will not begin until FY 2003.

- There is a potential increase in cost to local school districts that is dependent on the number of new community schools established. This increase could be sizable as the bill allows a start-up community school to be established in any school district in the state, regardless of status (e.g., academic emergency, academic watch, continuous improvement, etc.). The bill also classifies gifted students as "at-risk," meaning that community schools could be established specifically for the gifted students in a given school district.
  - If a school district fails to provide transportation for community schools as required under current law, that district can lose money from the state for failing to comply with the law. The effect of this provision for local school districts would be the cost of compliance with the rule.
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## *Detailed Fiscal Analysis*

Substitute House Bill 364 makes several changes to the community school law. The bill allows a start-up community school to be established in any school district in the state. It also takes away the authority of the State Board of Education to sponsor start-up community schools. However, the board may continue to sponsor schools for which it has a contract for up to two years or a new sponsor is secured. The bill also adds a representative from the Office of the Auditor of State, beginning on January 1, 2003, to the Alternative Education Advisory Council, as established in Am. Sub. H.B. 94. Community schools are also required under the bill to conform to submitting information to the educational management information system.

### **Local Costs**

#### *Start-up Community School Locations*

Currently, community schools may only be established in school districts that are in “academic emergency.” The primary effect of this bill to local school districts comes from the addition of all other school districts to the list of areas where start-up community schools may be established. In the 1998/1999 school year, there were 69 school districts in academic emergency and in the 1999/2000 school year, there were 35 districts in academic emergency. The bill would allow a start-up community school to be established in any of the state’s 612 school districts. The bill would also allow gifted students to be considered “at-risk” students. As a result of this provision, community schools could be established solely for gifted students. As the increase in effect is dependent on how many new community schools would be established, and without knowing how many new community schools would be launched as a result of these changes in law, it is difficult to determine the effect on the districts. Effects on districts are also dependent on whether enrollments are increasing or decreasing for the affected school districts.

#### *Transportation Costs – Local*

The bill codifies certain practices already in place at the Department of Education, including a series of administrative procedures for all students governing the payment in lieu of providing transportation. If, due to the impracticality of transporting certain students, the district does not provide transportation to any student in that district, then they may pay the parent of that community school student the amount of the average cost to all districts in the state to provide transportation in the preceding year. In addition, the community school can charge a fee for providing transportation for enrolled students who would not ordinarily be eligible for transportation.

### **State Costs**

#### *Community Schools Oversight and Monitoring*

At present, the Office of School Options (OSO) at the Department of Education provides academic oversight for community schools. There are 8 employees in the OSO, but their time is split between community schools, non-public schools, etc. The Office of School Finance (OSF) at the Department of Education provides fiscal oversight for community schools. The bill creates the Office of Community Schools (OCS) within the Department of Education and requires the OCS to oversee the sponsors of community schools and to provide technical assistance to schools and sponsors. Under the bill, sponsors include any educational service center, any school district, and any federally tax-exempt entity. The OCS would also be responsible for approving sponsors and monitoring the compliance of sponsors with their contract duties. Since the department is already performing most of these oversight duties, this would likely not affect the state, assuming that no new employees are hired for this purpose but, rather, employees in the OCS are transferred in from other offices and divisions in the department.

#### *Community School Cap*

The bill puts into place a cap of no more than 225 (about 130 more than the current number of community schools) on the number of community school contracts that may be in effect at any given time for two years following the effective date of the bill. There is no cap under current law, but, under current law, there are fewer sponsors allowed to enter into a community school contract. This provision would have no fiscal effect on the state, but it would affect local districts that might serve directly fewer students. Currently there are about 18,000 students in community schools, or about 1%, of the total ADM. If the number of community schools increased to 225, and continued to average about 200 students per school, the number of students would increase by about 26,000.

#### *Federal Title I Allowance*

Recent federal legislation, H.R. 1 (“Leave No Child Behind”), mandates that children in failing schools (according to the federal definition) may transfer to a charter/community school and the Title I funds allocated to that student follow the student to the community school. H.B. 364 underscores this requirement by stating that the Department of Education is required to include community schools in its annual allocation of federal Title I money.

#### *Transportation Costs – State*

The bill amends current law to require school districts to provide transportation to community school students on the same basis as to nonpublic school students. The exception to this would be if the district and the community school have entered into a contract under which the community school provides transportation to its students. The bill eliminates the current law that requires a \$450 per pupil payment for

transportation costs when a community school assumes transportation responsibilities and requires any payments for eligible students or certain disabled students to be specified in the community school's contract.

#### *Formula ADM*

The formula average daily membership (ADM) is calculated during the first full week in October. From that calculation, school districts receive money from the Department of Education based on the base cost funding amount for a given fiscal year. Community school students are added to this count, but only if they are enrolled before the first full week in October. The bill would require the Department of Education to adjust the formula ADM of the school district in which the community school student was excluded because the student was not enrolled by the first full week of October. The bill also requires the Department of Education to make the first payment to a community school within 30 days of receipt of its initial reported enrollment and to periodically make additional payments to the school that are adjusted for changes in the school's enrollment. The department then has to recalculate the school district's payments for the entire fiscal year. The cost to the state for this portion of the bill is dependent on the number of new community schools that are established after the first full week in October.

#### *Community School Classroom Facilities Loan Guarantee and Support Programs*

This bill also creates the Community Schools Classroom Facilities Support Program, which requires the Ohio School Facilities Commission (OSFC) to pay a per pupil stipend of \$450 to each start-up community school. This per pupil stipend is to be paid in any fiscal year in which the General Assembly appropriates money for that purpose. It also permits all community schools to participate in the Community School Classroom Facilities Loan Guarantee Program. Loans made under the loan guarantee program can be used for new construction of the school buildings.

According to the OSFC, the stipend per pupil would cost approximately \$8.1 million annually (based on the current number (18,100) of community schools students multiplied by \$450). The OSFC also stated that, although the capital funds used for this stipend would otherwise be allocated to city, local, and exempted village school districts and, therefore, would experience a loss in revenues, these districts would still eventually receive funding from the OSFC. The earmark for the stipend would simply slow this process unless additional funds are provided.

#### *Community School Revolving Loan Fund*

The bill creates the Community School Revolving Loan Fund in the state treasury. Moneys in this fund come from any federal funds allocated to the state for the development and operation of community schools, as well as any other money appropriated by the General Assembly. These funds will be used to cover default on a loan made from the fund to the sponsor or governing authority of any start-up community school. The superintendent of public instruction must approve loans made under this provision.

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