

Fiscal Note & Local Impact Statement

124th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: H.B. 364 **DATE: February 26, 2002**

STATUS: As Introduced **SPONSOR: Rep. Husted**

LOCAL IMPACT STATEMENT REQUIRED: Yes

CONTENTS: Expands community school law

State Fiscal Highlights

STATE FUND	FY 2002	FY 2003	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	\$8.3 million, in addition to possible additional costs for board meeting space and student transportation costs	\$8.3 million per year until 2014; after FY 2014 approximately \$132,000 to \$206,000 plus other costs related to meeting space and transportation costs

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

- 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.
- The costs for establishing the State Board of Community Schools would include paying the expenses for the board members, the costs of hiring an executive director and staff, and office space for the director and his or her staff, as well as room for the board to meet.
- 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
School Districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase depends on the number of new community schools established	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.

- 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 this bill adds “academic watch” school districts to the list of areas where start-up community schools may be established.
- Cost for transportation could increase since transportation must be provided at times specified by the community school board.

Detailed Fiscal Analysis

House Bill 364 makes several changes to the community school law. This bill allows “academic watch” school districts to be areas where community schools may be established. It also creates the State Board of Community Schools with an executive director. This board is also permitted to sponsor community schools, as are the 13 state-assisted universities. Community schools would be treated the same as nonpublic and special education for purposes of bus purchase reimbursement (they would be reimbursed 100%).

Local Costs

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 “academic watch” 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. Recently the new report card ratings were released and there are now 12 school districts in academic emergency and 38 districts in academic watch. 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 this change in law, it is difficult to determine the effect on the districts.

The governing authority of a community school is responsible for setting the daily and annual instructional schedules for that school. Any school district board of education that is required to provide transportation for community school students is also required to provide such transportation according to the schedule set forth by the governing authority of the community school, unless there is a prior agreement certified by the sponsor of the community school.

State Costs

State Board of Community Schools and Staff

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.

One cost to the state, as a result of H.B. 364, would be the establishment of the State Board of Community Schools. This board would consist of seven members appointed by the Governor to staggered five-year terms. The Superintendent of Public Instruction also sits on the board, but does not have a vote. These costs would result from the appointment of an executive director as well as space for him or her. The executive director is initially appointed by the Governor, but serves at the pleasure of the board. The board itself would appoint all subsequent directors. The annual salary for an Executive Director 1 position ranges from approximately \$39,478 to \$65,062. Benefits would be added to the annual salary at a rate of approximately 30%, bringing the total cost of appointing an executive director to between \$51,321 and \$84,581 per year.

While the board would primarily be a new sponsoring entity for community schools in the state, it would have the responsibility of monitoring and evaluating all community schools in Ohio. In Michigan, there are approximately 200 charter/community schools and they currently have one person to monitor and evaluate those schools. In Arizona, the State Board for Charter Schools is one of 3 entities that can sponsor charter schools in that state. There is no single, statewide monitoring board in place in Arizona, but the State Board for Charter Schools oversees approximately 450 schools with 6 employees. At present, Ohio has 92 community schools. If, in addition to the executive director, there were 2 additional employees to help oversee the community schools, this could raise costs by approximately \$62,774 to \$77,668 per year. When the cost of benefits is factored in, the cost is approximately \$81,606 to \$100,968 per year. The salary ranges represent one Executive Secretary 1 position and one Administrative Assistant 2 position.

In addition, compensation for actual and necessary expenses while conducting board business is required for the board members themselves. Space for the board to meet could also incur additional cost. The costs for the board itself (including compensation and space) would depend on how often the board meets and from how far away the members of the board must travel to get to meetings or for field visits. For example, if the board meets 12 times a year and the average roundtrip mileage is 150 miles for a given board member, then the cost would be approximately \$2,400 a year for the room and \$3,780 a year for travel for 7 board members (\$0.30 a mile, \$45 per person, per trip).

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 him/her 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

Transportation costs are based on nonpublic and special education rules. That is, community schools would be subject to the same requirements as nonpublic and special education schools for transportation purposes, thereby receiving a portion of the appropriation item 200-503, Bus Purchase Allowance, that is set aside (25%) for those schools. As long as the state's mileage requirement for the year is met, then any bus purchases are reimbursed at a rate of 100%.

Under current law, if the governing authority of a community school and the school district board enter into an agreement that designates the community school as responsible for the transportation of its students, then the Department of Education is required to pay \$450 per student for the costs of transporting those students. H.B. 364 would allow the governing authority of a community school to charge a transportation fee to the student's parent or guardian up to the actual cost of transporting any student who lives more than 30 minutes from the school, less the amount received by the Department of Education.

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. H.B. 364 would require the Department of Education to adjust the formula ADM of the school district in which the community school student was excluded because he/she was not enrolled by the first full week of October. 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 per pupil stipend would cost approximately \$8.1 million annually (based on the current number (17,000) 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.

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