



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** Sub. H.B. 30 of the 129th G.A.

**Date:** February 8, 2011

**Status:** In House Education

**Sponsor:** Rep. Gardner

**Local Impact Statement Procedure Required:** No

**Contents:** Eliminates the requirement that school districts offer all-day kindergarten and abolishes the School Funding Advisory Council

### State Fiscal Highlights

- The Ohio Department of Education (ODE) will save the costs of providing staff assistance to the School Funding Advisory Council, which is abolished by the bill. These costs are approximately \$80,000 per year for 1.5 full-time equivalent staff members.

### Local Fiscal Highlights

- The bill eliminates the requirement that all school districts eventually provide all-day kindergarten. Certain districts will save the potentially significant operating and facilities costs related to providing all-day kindergarten.
- Under the bill, some districts may continue to charge tuition for all-day kindergarten. This will likely result in higher revenues for those districts.
- The bill eliminates certain spending and reporting requirements authorized under current law. The elimination of these requirements may provide school districts with more flexibility in spending foundation funding.

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## Detailed Fiscal Analysis

The bill repeals certain provisions of current law, many of which are related to the school foundation funding formula enacted by Am. Sub. H.B. 1 of the 128th General Assembly and commonly called the Evidence-Based Model (EBM). Many of these repealed provisions have not been fully implemented, but may result in costs to school districts and to the Ohio Department of Education (ODE) if not repealed. These provisions are discussed below.

### School district fiscal effects

#### All-day kindergarten

H.B. 1 requires that all school districts eventually offer all-day kindergarten to all families who want it. Districts are permitted to delay implementation of all-day kindergarten until FY 2012 and to apply for a waiver of the requirement from the Superintendent of Public Instruction. Depending on the circumstances of each district and whether or not the district would be approved for a waiver, this requirement may impose significant costs. Under the bill, the requirement is repealed, so any costs would be saved. Additionally, the bill repeals the prohibition enacted in H.B. 1 on charging tuition for all-day kindergarten, which is to go into effect in FY 2012.

As stated above, the potential costs of the all-day kindergarten requirement and, therefore, the potential savings under the bill, varies depending on the circumstances of each school district. Many districts provided all-day kindergarten before the H.B. 1 requirement. Districts that did not offer the service, however, will likely incur both operating and facilities costs beginning in FY 2012 if the requirement is not repealed and the district is unable to obtain a waiver. The potential operating costs may be significant as presumably switching from half-day to all-day services would be similar to doubling the number of kindergarten students served. For example, in a half-day program one full-time teacher may teach 40 children in one classroom – 20 in the morning then 20 in the afternoon. The same 40 children in an all-day program may require two teachers and two classrooms. A district may also incur operating costs associated with expanding the curriculum to cover more material.

The potential cost of facilities largely depends on each district's current capacity. A district that is growing may need to add classroom space. A district that is losing students may already have the classroom space available. Continuing law provides districts with facilities constraints the option of using space in child day-care centers for kindergarten classes. This may be a less costly option for districts than constructing new facilities. Under the bill, both the operating and facilities costs described above may be saved.

Many districts already provided all-day kindergarten before the H.B. 1 mandate and therefore, will likely not save the costs of the mandate as described above. Prior to

FY 2010, the state provided funding for all-day kindergarten to districts with concentrations of poverty students above the state average. In FY 2009, 129 districts (21.1%) received this funding and provided approximately 50,600 kindergartners with all-day services. This represents a comparatively high percentage of statewide kindergartners (38.2%), since many of the state's largest districts are among these 129. Under continuing law, these districts are prohibited from charging tuition. On a survey conducted by ODE, 187 additional districts that were not receiving state assistance for all-day kindergarten reported providing all-day kindergarten services to at least 50% of their kindergarten students, or approximately 22,800 kindergartners (17.2% of the statewide total). Some of these additional districts reported charging tuition for all-day kindergarten. Under the bill, these districts may continue to charge tuition, potentially resulting in higher revenues than under current law.

### **Spending and reporting requirements**

Under the EBM, state foundation funding is computed by adding up the model's costs for various components, such as different types of teachers, administrators, and other personnel as well as some nonpersonnel factors. H.B. 1 requires each district to account separately for its spending of the amount computed for each component and to submit an annual plan for the use of those funds. The bill eliminates this requirement and, therefore, saves districts any administrative costs they may incur in complying. Additionally, H.B. 1 contained some spending requirements related to the EBM and required that the Superintendent adopt rules regulating both the reporting and spending of EBM funding. Rules regulating spending are not to take effect until FY 2012. The bill eliminates most spending requirements.<sup>1</sup> These requirements may restrict some districts' spending. By eliminating the requirements, the bill may result in more spending flexibility for many districts. Finally, H.B. 1 imposes sanctions on districts that do not comply with the spending and reporting rules. The bill eliminates these sanctions, thus saving districts and ODE any costs related to them.

### **Gifted student services spending requirements**

Under the bill, school districts continue to be subject to spending requirements for the gifted student services component of the EBM. The bill authorizes the State Board of Education to adopt rules governing this spending requirement that must be in effect by July 1, 2012, a year later than the deadline for the rules mandated by H.B. 1. In addition to this spending requirement related to the EBM, current law requires that each school district and educational service center (ESC) spend on gifted services in each fiscal year at least the amount it received for gifted services in FY 2009. The bill modifies this requirement by permitting each district and ESC to reduce spending for gifted student services in FY 2012 and FY 2013 by an amount proportionate to the

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<sup>1</sup> For details on the spending requirements eliminated under the bill, see pages two through four of the bill analysis.

amount their total state funding is reduced from the previous year. These changes may result in increased flexibility in district and ESC spending.

### **Family and civic engagement teams**

The bill eliminates the H.B. 1 requirement for all school districts to establish family and civic engagement teams, but retains the requirement for those districts receiving funds under the federal Race to the Top program if establishing the teams is part of the district's grant agreement. Under the bill, districts that do not need to establish the teams will save any administrative costs associated with this requirement. Presumably, any costs incurred from establishing the teams by districts receiving Race to the Top funds would be offset by increased revenue from the grants. In any case, the cost of establishing the teams would likely be small, especially considering that H.B. 1 permits schools to operate these teams in combination with business advisory councils, which are mandated for all districts.

### **Textbook and instructional materials fund**

The bill eliminates the requirement that school districts annually set aside into a separate fund for textbooks and instructional materials an amount equal to at least 3% of the previous year's formula amount per pupil. In FY 2011, the set-aside amount is about \$172 per pupil. The elimination of this requirement may provide districts with more spending flexibility.

### **Financial forecasts**

The bill reduces from five to three years the period of time that must be covered by a district's, community school's, or STEM school's annual financial forecast. The five-year requirement has been in place since 1998. Any fiscal effect of this reduction is likely minimal. In addition, under the bill, districts and schools have the option of covering a longer period than three years.

## **State fiscal effects**

### **School Funding Advisory Council**

H.B. 1 established the School Funding Advisory Council to recommend changes to the components of the EBM. Since creation of the Council, ODE, as required by H.B. 1, has provided staff assistance in support of the Council's work. This work included completion of an initial report outlining recommended changes to the funding system that was issued on December 1, 2010. The bill abolishes the Council, so ODE will save the cost of the staff assistance. According to a spokesperson with ODE, the agency estimates its continuing costs in support of the Council to be \$80,000 per year for 1.5 full-time equivalent staff.

### **School district fee surveys**

The bill reinstates a pre-H.B. 1 requirement that ODE conduct an annual survey of school districts on the number of students attending all-day kindergarten, the

amount of fees or tuition charged for all-day kindergarten, and the number of all-day kindergarten students paying tuition who are eligible for free or reduced price lunches. ODE is to issue an annual report based on the results of the survey and post the report on its web site by April 30 of each fiscal year. This requirement may increase the administrative burden of ODE.

## **Synopsis of Fiscal Effect Changes**

- The substitute bill eliminates the current law textbook and instructional materials set-aside requirement. The elimination of this requirement may provide districts with more spending flexibility.
- The substitute bill delays the deadline for the rules governing the spending of funds received for gifted services from July 1, 2011 to July 1, 2012. As a result, districts may have more flexibility in the spending of state funds in FY 2012.
- In FY 2012 and FY 2013, the substitute bill allows districts and ESCs to reduce spending on gifted services below the state gifted funding received in FY 2009 in an amount proportionate to any reduction in state funding incurred by the district or ESC. As a result, districts may have more flexibility in the spending of state funds in FY 2012 and FY 2013.

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