



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [Sub. H.B. 525 of the 129th G.A.](#)

**Date:** June 13, 2012

**Status:** As Enacted

**Sponsor:** Rep. Williams

**Local Impact Statement Procedure Required:** No

**Contents:** Revises the laws regarding levies, teacher evaluations, teacher contracts, and the management of district and community schools in municipal school districts

### State Fiscal Highlights

- The Ohio Department of Education (ODE) may incur administrative costs to establish, by April 30, 2013, a comprehensive framework to assess the efficacy of district schools and community schools located in the Cleveland Metropolitan School District (CMSD).
- ODE may incur administrative costs for approving, by January 15, 2013, the measures that CMSD must submit for evaluation of the performance of the district's schools and for evaluating and reporting on the district's performance on those measures by November 15, 2017.

### Local Fiscal Highlights

- The bill authorizes CMSD to levy a tax for the current expenses of the district and certain community schools. If a levy is passed, district schools and partnering community schools will experience revenue gains each year for as long as the levy is in effect.
- The bill authorizes the mayor of Cleveland to establish a Municipal School District Transformation Alliance as a nonprofit corporation. The bill is silent on how the duties of the Alliance are to be funded.
- The bill makes a number of changes to the teacher and principal employment procedures required of CMSD. These changes may increase administrative costs as the district adapts to the new procedures, but may also improve the operational efficiency of the district and increase the district's flexibility in allocating its resources.
- The bill authorizes CMSD to establish a longer school day or school year for any school building in the district. An increase in the length of the school day or school year will likely increase the district's operating expenditures.

- CMSD may incur administrative costs for developing an array of measures by which to evaluate the performance of the district's schools and for annually establishing goals for improvement upon those measures.
  - The bill permits CMSD, under certain conditions, to deposit revenue gained from the sale of real property into the district's general revenue fund, which may increase the funds available to CMSD for operating expenses versus debt service or capital expenses.
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## **Detailed Fiscal Analysis**

The bill revises the laws pertaining to the management of district schools and community schools within a municipal school district. Specifically, the bill addresses laws governing levies; teacher layoffs, contracts, and evaluations; and the oversight of district and community schools. As of this writing, the only municipal school district in Ohio is the Cleveland Municipal School District (CMSD). For simplicity, this fiscal note assumes that the laws modified by the bill affect only CMSD. Provisions of the bill with a possible fiscal effect are discussed below. For a complete description of the bill's provisions, please see the LSC bill analysis.

### **Current expense levy**

The bill authorizes the CMSD Board to propose a levy for the current expenses of the school district, a portion of which will be shared with certain partnering community schools. The bill requires CMSD to create a "Partnering Community Schools Fund" for the deposit of levy funds that are to be directed to partnering community schools. If a shared levy is approved, partnering community schools will receive funds in proportion to their enrollment of "resident" students, which are those students who are entitled to attend a CMSD school. The bill also specifies that if a shared levy is approved, partnering community schools must receive a portion of state reimbursements for property tax rollbacks and the homestead exemption.

The levy permitted under the bill establishes a new potential revenue source for community schools in CMSD. Under current law, community schools only receive funding through deductions from school districts' state aid (at least \$5,704 per pupil) and public and private grants. If a levy for the district and partnering community schools is approved, the district also will experience a gain in revenues. The amount of the revenue gain will depend on the number of mills levied and the taxable property value of the district. In FY 2011, the taxable value of CMSD was nearly \$5.0 billion. One mill will generate about \$5.0 million for CMSD and partnering community schools.

## **Municipal School District Transformation Alliance**

The bill authorizes the mayor of Cleveland to establish a Municipal School District Transformation Alliance as a nonprofit corporation generally responsible for confirming and monitoring compliance with a plan prepared by the mayor. The Alliance, if established will expire on January 1, 2018. The bill is silent on how the duties of the Alliance are to be funded.

The bill requires ODE, in conjunction with the Alliance and a nonprofit consisting solely of community school sponsors, to perform two tasks. The first task is to develop, by December 31, 2012, criteria to be used by a community school sponsor to determine if it will sponsor schools in CMSD and criteria to be used to evaluate the ability of a sponsor to successfully sponsor new schools in CMSD. The bill requires that these criteria be based on standards issued by a national community school organization. ODE may incur administrative costs to develop these criteria, but, as they must be based on existing standards, these costs are not likely to be significant. The second task is to establish, by April 30, 2013, a comprehensive framework to assess the efficacy of district schools and community schools located in CMSD. ODE may incur administrative costs to establish this framework.

Under the bill, certain prospective sponsors must apply to the Alliance for a recommendation as well as to ODE for approval in order to sponsor schools in CMSD. A sponsor is not subject to the approval process more than one time. ODE must use the sponsor evaluation criteria it develops as well as the recommendation of the Alliance in determining whether certain sponsors may sponsor new schools in CMSD. This provision is not likely to add significantly to ODE's costs in evaluating new sponsors.

The Alliance is required to organize and maintain its records and to file a copy of those records with ODE. The records must be made available to the public by ODE and ODE must notify the Alliance of any requests from the public to view those records. ODE may incur minimal administrative costs for handling any requests to view the Alliance's records.

The bill prohibits an individual from bribing a director, officer, or employee of the Alliance and prohibits directors, officers, and employees of the Alliance from soliciting or accepting bribes. Cases of bribery, a third degree felony, are generally heard by the common pleas court. The number of additional cases generated by the bill's provisions is likely to be very few, if any.

## **Teacher and principal employment procedures**

The bill makes a number of changes to the teacher and principal employment procedures required of CMSD. These changes may increase administrative costs as the district adapts to the new procedures, but may also improve the operational efficiency of the district. They may also increase the district's flexibility in allocating its resources, including human resources. The LSC bill analysis includes a complete description of the bill's changes.

## **Academic performance plan and school calendars**

Continuing law requires the CEO of CMSD to establish an academic performance plan that measures student academic performance at each CMSD school and requires the CEO to take corrective action at schools not meeting the academic goals established in the plan. The bill includes modifications to the requirements surrounding the plan and the procedures for taking corrective action. The bill expands the measures that may be taken under a corrective plan to include adjusting the length of the school year or school day for any school building in the district. The bill also permits the Board to establish a longer school day or school year – including year-round instruction – separate from a corrective action plan. If the CEO or Board decides to increase the length of the school day or year, operating costs for the district will increase due to costs including teacher and other staff salary increases and increased utility costs.

## **CMSD accountability measures**

CMSD is required under the bill to submit for approval to the Superintendent of Public Instruction, by December 31, 2012, an array of measures by which to evaluate the performance of the district's schools. The Superintendent must approve or disapprove the measures by January 15, 2013. If the measures are disapproved, the Superintendent must recommend modifications. Beginning in FY 2013, CMSD must annually establish goals for improvement upon the measures that were approved by the Superintendent and issue an annual report detailing the district's progress. The bill also requires the Superintendent, by November 15, 2017, to evaluate CMSD's performance based on the measures and to issue a report to the General Assembly and Governor. ODE and CMSD may incur administrative costs for establishing and evaluating the measures and goals prescribed by the bill.

## **Student advisory committees**

The bill requires CMSD and the governing authorities of partnering community schools to select and establish student advisory committees for any of their schools offering grades 9 to 12. The committees are responsible for making at least semiannual recommendations on improving classroom learning. The recommendations must subsequently be posted on the district's or school's web site. Schools that are required to establish student advisory committees may incur minimal administrative costs related to the committee member selection process and posting the committee's recommendations on the Internet.

## **District report cards**

The bill permits CMSD to choose to include certain information about its partnering community schools in the district report card published by ODE. If CMSD chooses to include community school data in the district report card, there may be small administrative costs associated with collecting and reporting the additional data. ODE

may also incur minimal administrative costs for including the data on the district's report card.

### **Use of revenue from sale of CMSD property**

The bill permits, under certain conditions, CMSD to deposit revenue gained from the sale of real property into the district's general revenue fund, rather than the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements as otherwise required under current law. This provision may increase the funds available to CMSD for operating expenses versus debt service or capital expenses.

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