



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

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

Date: May 7, 2012

Status: As Introduced

Sponsor: Reps. Williams and Amstutz

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

- Various provisions of the bill may increase the administrative costs of the Ohio Department of Education. These provisions include:
 - Collaborating with the Transformation Alliance created under the bill to develop a framework for assessing the Cleveland Municipal School District's (CMSD) schools, develop standards for approving new CMSD community schools, review any appeals by community schools, and file the records of the Alliance.
 - Filing documentation related to including certain CMSD community school data on the district's state report card.
 - Sending written notices to CMSD community schools that are at risk of closing.

Local Fiscal Highlights

- The bill authorizes the CMSD to levy a tax for the current expenses of the district and certain community schools. If a levy is passed, district schools and qualifying community schools will experience revenue gains each year for as long as the levy is in effect.
- The bill authorizes the CMSD Board or CEO to establish a longer school day or school year for any school building in the district. If the Board chooses to increase the length of the school day or school year, the district's operating expenditures will likely increase due to teacher and other staff salary increases, higher utility bills, etc.
- The bill makes a number of changes to the teacher and principal employment procedures required of the CMSD. It also makes many changes to provisions for assessing the academic performance of district and community schools and developing a "corrective plan" for lower-performing schools. 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, including human resources.

- The CMSD's administrative costs may increase for providing certain support services to the Transformation Alliance created under the bill.
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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 qualifying community schools. The bill requires CMSD to create a "Qualifying Community Schools Fund" for the deposit of levy funds that are to be directed to qualifying community schools. If a shared levy is approved, qualifying 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, qualifying 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 qualifying 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 qualifying community schools.

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.

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.

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 monitoring compliance with a "transformation alliance education plan" to be prepared by the mayor. The corporation, if established, has various duties outlined in the bill related both to CMSD schools and "partnering community schools." The bill is silent on how the duties of the Alliance will be funded. However, the bill requires the Alliance to work with CMSD and the Ohio Department of Education (ODE) in developing various standards for the district and for its partnering community schools. Presumably, CMSD and ODE may incur some administrative expenses for providing certain support services to the Alliance.

One of the duties required of the Alliance is the approval or disapproval of new start-up and conversion community schools located in CMSD. If the Alliance does not approve a community school application, the governing authority may appeal to ODE to reverse the Alliance's decision. 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 administrative costs for reviewing any appeals from community school applicants that are not approved by the Alliance and 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. Third degree felonies may carry fines of up to \$10,000. The county in which the case is heard will receive most of the fine revenue, though \$60 is required to be distributed evenly between two state funds, the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020). Third degree felonies do not carry a presumption for or against

prison. If an individual is sentenced to prison, the term may be from one to five years. The marginal cost for housing one additional prison inmate is about \$4,400 annually. Again, the bill is not likely to generate a significant number of felony convictions, if any.

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. The district may elect to combine academic performance data from students attending its partnering community schools with comparable data from the schools of the district for the purpose of calculating the performance of the district as a whole. In addition, CMSD may elect to include in the district report card the average daily membership of its community school students in the district's total average daily membership. The district is required to annually file with ODE a copy of the lease, agreement, or other documentation that indicates eligibility for the election. 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 filing the agreements.

Notification procedure for community schools at risk of closing

Under the bill, CMSD community schools are subject to the same closure laws as community schools in other school districts.¹ However, the bill prescribes additional notice procedures related to community schools in CMSD that are at risk of closing. For instance, ODE must notify a community school if the school's most recent report card indicates that it is at risk of closing. In addition, the community school is required to forward ODE's notice to the parents and students of the school along with a description of the steps that the school will take to address its academic performance. If the school is ultimately required to close, the school must notify the parents and students of the school's closure. CMSD community schools and ODE may incur administrative costs as a result of the notice requirements set forth by the bill. The bill specifies that a community school that fails to give the notices or to close as required is not eligible for state funds.

Disposal of school district property

The bill makes several revisions to laws pertaining to the disposal of school district property. Most of these provisions are not likely to have a fiscal impact, but one may result in revenue gains for CMSD. Current law permits a district to sell unused academic facilities directly to certain entities. The bill allows CMSD to sell *or* lease (not

¹ Community schools that offer any of grades K-3 or 10-12 are required to close permanently if they have been ranked in academic emergency in two of the three most recent report card ratings. Schools that offer any grades 4-8 are required to close if they have been ranked in academic emergency in two of the three most recent report card ratings *and* have shown less than one academic year of progress in reading or math based on value-added criteria.

just sell) *any* real property (not just unused academic facilities) directly to those entities and to any community schools located in the district or to any chartered nonpublic schools. Since the bill allows CMSD to offer the property to additional parties, potentially increasing competition, it is possible that the district may dispose of the property earlier or at a better price; this may result in increased revenues.

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