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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 591  
135<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 591's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsors:** Reps. Brennan and Baker

**Local Impact Statement Procedure Required:** No

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### Highlights

- The bill may increase the Department of Education and Workforce's (DEW's) GRF-funded community school sponsor evaluation costs by up to hundreds of thousands of dollars each year by removing an exemption for certain sponsors to be evaluated every three years instead of annually.
- Additionally, the bill further increases DEW's GRF expenditures by replacing the annual performance report DEW produces for community school operators with a report card that must include additional categories that DEW will determine. The costs of this are uncertain and will depend on DEW implementation decisions.
- The bill may result in increased administrative and information technology costs for DEW to incorporate the report cards for community school sponsors and operators into the existing platform it uses to generate and publish public school report cards. Report card and accountability system costs are funded by the GRF.

### Detailed Analysis

#### Bill overview

The bill makes changes to the accountability system for community school sponsors and operators. Specifically, the bill eliminates a current law exemption that allows certain sponsors to be evaluated every three years instead of annually and requires the Department of Education and Workforce (DEW) to issue an annual report card for each sponsor based on the results of the sponsor's evaluation. The bill also replaces the performance report that DEW produces for each community school operator under current law with a report card that rates operators in a manner similar to the community school sponsor evaluation system. Provisions with notable fiscal effects are discussed below.

## Community school sponsor evaluations

Under continuing law, DEW administers an evaluation system for community school sponsors. This system consists of three components (academic performance, compliance with laws, and adherence to quality practices) that determine an overall rating of “exemplary,” “effective,” “ineffective,” or “poor.” DEW uses the overall ratings to assign certain incentives and sanctions for sponsors. Notably, sponsors with an overall rating of “exemplary” or “effective” for the three most recent years that the sponsor was evaluated are evaluated every three years, instead of annually. The bill eliminates this exemption, requiring each sponsor to be evaluated annually.

The primary fiscal effect of this provision is an increase in evaluation costs for DEW to evaluate some sponsors more frequently. In FY 2024, there were 19 active community school sponsors. DEW employs two full-time staff to monitor and oversee sponsor evaluation and contracts with two vendors, one each to perform the compliance and quality practices reviews. According to DEW, the cost of sponsor evaluation fluctuates year to year depending on the number of sponsors and their portfolio of schools being evaluated. An increase in the number of sponsors and the number of schools in their portfolio will not require additional staff but will increase the cost for the vendors to perform their work.

Due to the exemption the bill proposes to eliminate, DEW has been required to evaluate only a fraction of the active sponsors in the last few years – five for the 2021-2022 school year and three for the 2022-2023 school year. Due to the recent passage of S.B. 168 of the 135<sup>th</sup> General Assembly, DEW is prohibited from evaluating a community school sponsor for the 2024-2025 school year, unless the sponsor elects to be evaluated. S.B. 168 also requires DEW to recommend revisions to the community school sponsor evaluation framework by March 2025. In the last several years, sponsor evaluation costs have averaged between \$23,000 and \$42,000 per sponsor evaluated per fiscal year.<sup>1</sup> Based on this and the current law evaluation system, the bill may increase sponsor evaluation costs by up to the hundreds of thousands of dollars per year, depending on the number of additional sponsors needing evaluations each year.

Sponsor evaluation costs are funded by the GRF in line item 200455, Community Schools and Choice Programs. H.B. 33 appropriates about \$4.2 million in FY 2025 in item 200455 to provide oversight and administration of school choice programs, including community schools and their sponsors, nonpublic schools, and other providers participating in the state’s scholarship programs.

## Community school sponsor report cards

In addition to eliminating the sponsor evaluation exemption described above, the bill requires DEW to issue an annual report card reflecting the performance of community school sponsors in the prior school year. The report card must present information about each sponsor and be posted on DEW’s website in a similar manner to the state report card issued for public schools under current law. The bill translates the sponsor evaluation results into report card star

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<sup>1</sup> This figure is an approximation, as DEW indicates sponsor evaluation cycles do not neatly line up with the fiscal year cycle. For example, costs for the 2022-2023 school year sponsor evaluation cycle were paid during FY 2023 and FY 2024.

ratings. However, a sponsor's evaluation continues to be the basis for any sanctions or incentives. This provision may increase DEW's report card system and information technology costs to generate sponsor report cards. These costs will likely depend on implementation decisions made by DEW.

H.B. 33 appropriates \$7.3 million in FY 2025 for DEW's accountability and report card programs in GRF line item 200439, Accountability/Report Cards. These funds cover the development and distribution of school report cards, funding and expenditure accountability reports, and other performance management activities and training for educators.

## **Community school operator report cards**

Current law requires DEW to develop and publish an annual performance report for all operators of community schools based on their performance for the previous school year. Currently, community school operators are evaluated annually on academic performance based on the community schools the operator managed. According to DEW, the current rating is calculated in a manner similar to the academic performance component of the community school sponsor evaluation system. DEW assigns an academic performance point rating to each operator by converting the overall report card star rating for each school in its portfolio into equivalent points. The performance report also includes "report only" data on expenditures per pupil, the number and experience levels of faculty, and student attendance and demographics. In FY 2024, 81 operators managed a total of 259 community schools.

The bill replaces the operator performance reports with annual report cards that rate operators in a manner similar to the community school sponsor evaluation system. The operator report cards must include an overall rating and individual category ratings and be posted on the DEW website in a manner similar to public school report cards. However, the results of the report cards do not carry sanctions or incentives, as is the case with the annual performance reports under current law.

LBO is unsure what components outside of academic performance that DEW will use to rate operators, as the bill does not specifically list the individual components in which operators must be rated. It could be that DEW uses components similar to the compliance with laws and adherence to quality practices components of the sponsor evaluation system. If so, DEW may opt to contract with vendors for that work. It is also possible that DEW chooses different components. Because the bill appears to provide DEW with some discretion, the operating costs to administer operator report cards are uncertain and will depend on DEW implementation decisions, including the categories chosen and, particularly, the scope and complexity of review for categories not directly tied to academic performance.

Additional DEW staff may be necessary to oversee the work. As a point of reference, the base pay rate for an education program specialist starts at \$31.24 per hour. The total annual payroll costs for each such position will range from about \$83,000 to \$100,000, depending on the single or family health insurance coverage the employee may enroll in. Additionally, DEW may incur costs to add the operator report cards to its public-facing report card platform. Like the costs associated with the bill's provisions regarding community school sponsor evaluations and report cards, the costs for operator report cards will be borne by the GRF.