



www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 154
(1_133_1654-2)
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 154's Bill Analysis](#)

Version: In Senate Education

Primary Sponsors: Reps. J. Miller and Jones

Local Impact Statement Procedure Required: Yes

Dan Redmond, Budget Analyst

Highlights

- The bill appropriates \$10 million in FY 2020 and \$25 million in FY 2021 from lottery profits to the Ohio Department of Education (ODE) to (1) reimburse school districts for the state's share of the "eligible cost" of contracts that a district may enter into with organizations or experts for school improvement supports and (2) pay the costs of root cause analyses.
- In general, the state's share is 100% for both the eligible cost of contracts for school improvement supports and the cost of root cause analyses. The state's share of the eligible cost of a school improvement supports contract decreases to 50% if a district waits until the second year it is designated with "improvement" status to opt into such a contract. In this case, a district must pay the remainder of the cost of the contract.
- The bill appropriates \$350,000 in each of FY 2020 and FY 2021 from the GRF for the operations of the School Transformation Board (STB), a newly created, stand-alone state agency. The Board may hire an executive director and any necessary staff.
- Operational and administrative costs for districts designated as in "improvement" status will likely increase. The bill requires improvement plans for these districts and for each of the district's schools that receive an overall grade of "D" or "F" on the report cards.
- The bill's replacement of academic distress commissions (ADCs) with school improvement committees (SICs) may reduce state expenditures, as there are likely to be fewer SICs established under the bill than ADCs under current law. The state pays the compensation of each ADC's chief executive officer under current law and of each SIC's director under the bill.

Detailed Analysis

Bill overview

The bill modifies the law on interventions for low-performing school districts and schools. The bill replaces academic distress commissions (ADCs) with school improvement committees (SICs) or an approved alternative intervention option. A district not currently subject to an ADC generally may become subject to an SIC once the district receives an overall grade of “F” for four consecutive years beginning with the report card issued for the 2018-2019 school year. The three ADCs established prior to the bill’s effective date¹ will continue to operate until June 30, 2020, at which time an SIC must be established for the district unless the newly created School Transformation Board (STB) grants a petition for dissolution and an alternative intervention option presented by the district board.

Beginning July 1, 2020, the bill requires school districts receiving two consecutive overall grades of “F” on the state report card (resulting in a designation of “improvement” status) to create improvement plans for the district and each school within the district that receives an overall grade of “D” or “F.” The bill excludes the Cleveland Municipal School District from “improvement” status actions. The bill permits districts in “improvement” status (and those subject to an SIC) to receive state assistance to contract with a school improvement organization or expert for a root cause analysis and school improvement supports and establishes the STB to approve these contracts and any district-proposed alternate interventions to an SIC. Provisions of the bill with notable fiscal effects are discussed below.

School improvement initiatives

School improvement supports contracts

The bill permits school districts that are in “improvement” status (and those subject to an SIC) to contract with an Ohio Department of Education (ODE)-approved school improvement organization or expert for school improvement supports. The bill appropriates \$10 million in FY 2020 and \$25 million in FY 2021 from State Lottery Fund (Fund 7017) appropriation item 200647, School Improvement, to reimburse districts for the cost of these contracts and for the cost of root cause analyses (see below for additional details on root cause analyses). Any unused balance of this appropriation at the end of FY 2020 rolls over to FY 2021. Priority for these contracts will be given to districts that were subject to an ADC or those that become subject to an SIC. In general, the state’s share is 100% of both the “eligible cost” of contracts for school improvement supports and the cost of root cause analyses. However, the state’s share of the cost of a school improvement supports contract decreases to 50% if a district waits until the second year it is designated with “improvement” status to opt into such a contract. The district is required to assume the remainder of the contract cost in this scenario.

The bill also specifies the following with respect to the terms of the contracts:

- The eligible cost for the initial three-year period of a school improvement supports contract is \$500,000 times the number of school buildings in the district that received an overall grade of “D” or “F” on the state report card. However, it also permits both the

¹ The three existing ADCs are for the East Cleveland, Lorain, and Youngstown city school districts.

STB to increase the eligible cost for a district and districts to provide additional funding for the contract if the district desires.

- A provider receives no more than 75% of its contractual fee per school at the beginning of each school year and the remainder after the district exits “improvement” status.
- ODE will continue to pay its share of the initial three-year contract if a district exits “improvement” status prior to the contractual end date if the STB authorizes the district to continue receiving the funds.
- A contract may be extended for up to two additional years at a cost not to exceed the initial per-building amount times the number of buildings that received an overall grade of “D” or “F” (ODE would not have to pay the state share if a district that exits “improvement” status extends its initial contract).
- State funding for a contract for a district in “improvement” status is limited to five consecutive years.
- A district is eligible to receive state funding for a contract once every ten years (from the beginning date of the contract). However, a district may receive funding more than once in a ten-year period if approved by the STB; ODE’s contract reimbursement rate cannot exceed 50% in this scenario unless the STB approves a greater rate.
- If a contract is terminated, ODE is only responsible to reimburse the district for services provided prior to the termination.

The bill also authorizes a district that received an overall “F” report card grade for the 2017-2018 or 2018-2019 school years to request approval from the STB to enter into a contract with a school improvement organization or expert for a root cause analysis or for improvement supports for up to 10% of the buildings in the district. Sixteen districts meet the criteria for this option.

ODE’s administrative costs are likely to increase to oversee the contracts. For example, ODE must create a list of approved school improvement organizations and experts by February 15, 2020, and update it at least annually, notify districts that are eligible for state assistance, draft the contracts between the improvement entities and school districts (the bill exempts ODE from competitive selection requirements), and presumably monitor a district’s progress in meeting the benchmarks (districts will lose access to funding if they do not meet the benchmarks for three consecutive years). The workload for school districts that choose this option will also increase to participate in the contracting process and develop and implement any action steps to meet the contract’s improvement benchmarks.

Root cause analyses

The lottery profits appropriated for school improvement may also be used to support the cost of root cause analyses. Under the bill, any district that becomes subject to an SIC or that submits a letter of intent to enter into a school improvement supports contract must receive a root cause analysis from an approved improvement organization or expert. These analyses are required to examine the following at the district level and, if necessary, at the school level: leadership, governance, and communication; curriculum and instruction; assessments and effective use of student data; human resources and professional

development; student supports; fiscal management; and current district board policies and collective bargaining agreements. Under the bill, a district that has received a root cause analysis within the last three years that is determined by the STB to meet the requirements of the bill is not required to undergo an additional root cause analysis.

School Transformation Board

The bill establishes a new agency – the School Transformation Board (STB) – and appropriates \$350,000 from the GRF in each of FY 2020 and FY 2021 to support its operations. Among other activities, the STB is required to approve contracts with school improvement organizations and experts, determine if districts are in compliance with their improvement plans, establish SICs, and approve any alternative improvement interventions. The Board’s governing authority consists of five members: the Superintendent of Public Instruction and the Chancellor of Higher Education (or their immediate subordinates if so designated), as well as three individuals appointed by the Governor. The appointed members will be paid \$500 for each scheduled meeting the member attends, up to a maximum of \$45,000 per year. Separately, board members will also be reimbursed for any travel expenses. The bill also permits the STB to hire an executive director and any necessary staff to carry out STB duties. Initial STB appointments must be completed by February 15, 2020; however, the STB can begin operations whenever three members are in place.

District improvement and transition plans

While state-supported school improvement supports contracts are optional for districts in “improvement” status, the bill requires such a school district to create an improvement plan for the district and for all school buildings in the district that receive overall “D” or “F” grades on the report card. The bill requires a district in “improvement” status to convene a community stakeholder group to assist in the creation of the improvement plans. As a result of the bill, the administrative and operational costs of some school districts may increase to craft and implement the plans, which must include evidence-based or evidence-supported strategies for school improvement, a timeline for implementation, progress benchmarks, and a list of actions for district personnel to take to implement the plan. The cost of these plans will depend on district implementation decisions.

Likewise, the administrative costs of districts in “improvement” status may also increase to develop transition plans, which are required under the bill to exit that status. Districts exit “improvement” status in one of two ways: (1) for two consecutive years, receiving both an overall grade of “D” or higher and an overall value-added progress score of “C” or higher, or (2) for three consecutive years, meeting all academic benchmarks established in the school improvement plan and receiving an overall value-added progress score of “C” or higher. A district that meets either of these conditions must file a copy of a transition plan with ODE and the STB. Under the bill’s transition plan requirements, districts must reconvene the stakeholder group and describe how they will continue stakeholder engagement, improvement plan implementation, and measurement of academic progress against new benchmarks, as well as how the district will use and pay for external supports.

School improvement committees

As noted above, the bill replaces ADCs with SICs as the oversight bodies of certain low-performing schools. The bill replaces the chief executive officer (CEO) of an ADC with a director

appointed by the SIC and permits the SIC to appoint the district superintendent as director. The director will have many of the same powers as a CEO. Under the bill, a district generally does not become subject to an SIC until it receives four consecutive overall “F” grades, rather than after three such grades for an ADC under current law. Additionally, the bill sets the 2018-2019 school year report cards as the starting point for determining whether a district is subject to an SIC, effectively preventing any SICs for districts other than those currently subject to an ADC from being established until the 2022-2023 school year. If a district has entered into a school improvement supports contract, the district may receive five consecutive overall “F” grades before becoming subject to an SIC. Districts that become subject to an SIC may opt to request the STB to approve an alternative intervention developed by the district instead.

For the three districts with an existing ADC, the bill dissolves the ADC and replaces it with an SIC, effective June 30, 2020, unless the district receives approval from the STB for an alternative intervention.² Accordingly, the bill amends H.B. 166 of the 133rd General Assembly, the operating budget act for FY 2020 and FY 2021, to modify an earmark of GRF line item 200550, Foundation Funding, that supports ADC CEO compensation and ODE assistance to ADCs in FY 2020 and FY 2021 to, instead, support SICs in FY 2021. The amount of the FY 2021 earmark remains unchanged at \$1.76 million.

As a result of the bill, fewer districts may become subject to an SIC than to an ADC under current law. Under the bill, ODE must pay the compensation of the director of each SIC, as it currently does for the CEO of each ADC. Thus, the bill potentially lowers state expenditures. As a point of reference, ODE indicated that total annual compensation for each of the current CEOs was estimated at \$305,000 in FY 2019 and is expected to increase to approximately \$352,000 in future years.

Current law qualifies all residents of a district with an ADC to participate in the Educational Choice (EdChoice) Scholarship Program. Under the program, students may obtain scholarships to attend chartered nonpublic schools. The scholarships are funded through deductions from a school district’s state aid. Under the bill, students in a district subject to an SIC are eligible to participate in the program. However, if fewer districts become subject to an SIC than to an ADC under current law, there may be fewer scholarship students in a district, resulting in higher expenditures for the district to educate the students as well as higher revenues from the state.

Department of Education study

The bill increases the administrative workload of ODE by requiring the Department to review the current state and federal processes and programs for school and district improvement in the state and to create a plan that collaboratively and more efficiently allocates funding for improvement. The Superintendent of Public Instruction must present the findings of the review and the plan to the standing education committees of the House of Representatives and the Senate by January 31, 2020.

HB0154S1/lb

² The three districts with an existing ADC must request a public hearing from the STB between February 15, 2020, and June 30, 2020, to petition for the dissolution of the ADC and the adoption of the district board’s alternative intervention option, instead of becoming subject to an SIC.