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H.B. 9
133rd General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by Senate Higher Education

Primary Sponsors: Reps. Jones and Sweeney

Local Impact Statement Procedure Required: No

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Highlights

EdChoice Scholarship Program

- The bill increases GRF appropriations by \$20 million in FY 2021 to reimburse school districts for deductions of state foundation aid financing certain first-time scholarships for that year under the performance-based Educational Choice Scholarship Program ("EdChoice").
- The bill limits eligibility for first-time scholarships under performance-based EdChoice beginning in the 2020-2021 school year. Thus, the bill may decrease deductions of state foundation aid to pay for them. However, school district expenditures may increase to educate public students that otherwise would have taken a scholarship to attend a nonpublic school.
- State foundation aid for public schools may be lower if fewer students receive a scholarship when they would have attended nonpublic schools without one.
- The bill increases family income eligibility for income-based EdChoice scholarships from no more than 200% of the federal poverty guidelines to no more than 300%. While more students will be eligible for a scholarship, the number of income-based scholarships is limited to the annual appropriation for the program.

Higher education provisions

- State universities may incur potentially significant costs to review student records every two years to identify certain students who have been disenrolled for four or more semesters and who have not completed a bachelor's degree but are eligible or close to being eligible for an associate degree, notify students of their eligibility, and report findings to the Chancellor of Higher Education.

- State universities and community colleges that offer certain bachelor's degree programs may also forgo revenue from waiving, in certain circumstances, a student's tuition and general fees for a course that is necessary to complete a bachelor's degree.

Detailed Analysis

Overview

The bill makes changes affecting student eligibility for the Educational Choice ("EdChoice") Scholarship Program and appropriates an additional \$20 million from the GRF in FY 2021 to reimburse school districts for deductions of state foundation aid that financed scholarships for certain first-time EdChoice recipients. Generally, other provisions of the bill address student degree completion at state institutions of higher education in various ways, including requirements for (1) each state university to review its student records every two years to determine if certain disenrolled students who did not complete a bachelor's degree are eligible or close to being eligible for an associate degree and (2) state institutions, under certain circumstances, to waive an eligible student's tuition and general fees for a course that is necessary to complete a bachelor's degree. The bill also prescribes some additional administrative responsibilities for state institutions of higher education and the Department of Higher Education (DHE). These provisions are discussed below in more detail.

Provisions related to the EdChoice Scholarship Program

Performance-based program

The performance-based Educational Choice Scholarship Program ("EdChoice") provides scholarships to students, other than those residing in the Cleveland Municipal School District, who attend or who would otherwise be entitled to attend a school that meets one of a number of conditions related to low performance on the state report card. Students use the scholarships to attend participating chartered nonpublic schools. The amount awarded under the program is the lesser of the actual tuition charges of the school or the maximum scholarship award. The maximum scholarship award is \$4,650 for students in grades K-8 and \$6,000 for students in grades 9-12. In general, scholarship students are counted in the resident district's student count in order to calculate state aid. The amount of the scholarship is deducted from the state foundation aid of the resident district and transferred to the educating school.

Two provisions of the bill limit eligibility for performance-based EdChoice scholarships beginning in FY 2021. Thus, the bill may decrease deductions of state foundation aid to pay for them. However, school district expenditures may increase to educate public students that otherwise would have taken a scholarship to attend a nonpublic school. Because the scholarship amount is deducted from state foundation aid payments, a decrease in the number of scholarship students generally will have no direct fiscal effect on the state. A possible exception to this, however, is if a student would have attended a nonpublic school even without the scholarship. In these instances, state foundation aid may be lower than otherwise as the number of publically funded students would be lower. Note that H.B. 166 suspends the operation of the state foundation formula for FY 2020 and FY 2021 and, instead, provides each

district with the same foundation aid allocation as was received in FY 2019. Additional details regarding the bill's performance-based EdChoice provisions are provided below.

Building designation criteria

The bill adjusts the performance-based EdChoice criteria for the 2020-2021, 2021-2022, and 2022-2023 school years by exempting from designation a school building that meets one of the two following criteria: (1) receives an "A", "B", or "C" overall grade on the most recent state report card, (2) receives a "D" overall grade on the most recent school report card and has not been ranked in the lowest 20% of traditional public school buildings on the Performance Index score for two of the three of the most recent non-safe harbor years (currently 2014, 2018, and 2019). School buildings subject to an ADC would remain designated. The table below summarizes the number of buildings designated and the number of districts with at least one building designated for FY 2019, FY 2020, as well as FY 2021 under both current law and the bill.

Traditional District Schools Designated for the EdChoice Program, FY 2019-FY 2021					
Category	FY 2019	FY 2020	FY 2021 (Current Law)	FY 2021 (H.B. 9)	Difference FY 2021
Buildings Designated	255	517	1,227	420	-807
Districts with One or More Designated Buildings	31	160	426	121	-305

As the table below shows, the number of schools designated has grown markedly since FY 2019, when 255 schools in 31 districts were designated. Under current law, the list for FY 2021 contains 1,227 school buildings in 426 school districts. The bill would result in an estimated 420 school buildings in 121 school districts designated for the program for FY 2021, a reduction of 807 buildings and 305 districts with one or more buildings designated. As a point of reference, the state foundation aid deductions used to finance performance-based EdChoice scholarships have increased as well. In FY 2019, about 23,000 students received scholarships totaling \$113.5 million. For FY 2020, those numbers have grown to 29,500 scholarships and \$148.2 million, respectively.

Eligibility for any incoming student in grades 9-12

Beginning in FY 2020, current law qualifies for a first-time EdChoice scholarship a high school student who was previously enrolled in a chartered nonpublic school or homeschooled in grades 8-11 if the student would be assigned in the next school year to a building that either received a "D" or "F" letter grade for the adjusted cohort four-year graduation rate component or otherwise qualifies the student for an EdChoice scholarship based on certain other report card criteria. The bill removes eligibility for first-time EdChoice scholarships for those students who were homeschooled or enrolled in a private school and completed any grades 9-11 in the prior year. Such students who were in eighth grade in the prior year remain eligible. Students awarded a scholarship under that provision in current law retain their scholarship provided they continue to meet the other requirements.

Reimbursement payments

The bill increases GRF appropriation item 200550, Foundation Funding, by \$20 million in FY 2021 and earmarks that amount to reimburse school districts for deductions of state foundation aid for that fiscal year that finance first-time EdChoice scholarships for students who completed eighth grade while homeschooled or enrolled in a nonpublic school in the prior school year under the bill's revised eligibility criteria described above. These students will not generate state foundation aid for their resident school district in FY 2021 because of the H.B. 166 provisions suspending the operation of the state foundation formula for FY 2020 and FY 2021.

Income-based program

Since FY 2014, income-based EdChoice scholarships have been phased in for students whose family income is at or below 200% of the federal poverty guidelines (FPG), regardless of the academic rating of the school they would otherwise attend. Unlike the performance-based program, students qualifying for EdChoice under the income-based program are not counted in their resident district's student count for funding purposes and, accordingly, deductions of state foundation aid do not fund the scholarships. Instead, the scholarships are paid directly by the state from GRF appropriations. This program has been phased in over time by adding a new grade level each year. The number of scholarships awarded is limited by the appropriation. In FY 2019, \$44.6 million was spent by the state to fund these scholarships, which covered approximately 10,800 students in grades K-5. In FY 2020, 12,360 students in grades K-6 have been awarded scholarships. Beginning in FY 2021, a provision in H.B. 166 expands eligibility to all students entering grades K-12 for the first time. H.B. 166 appropriates \$57.2 million in FY 2020 and \$121.0 million in FY 2021 for income-based scholarships.

The bill increases the family income threshold to qualify for income-based EdChoice scholarships to at or below 300% of the FPG. If the family of a student receiving a scholarship through this provision rises above the base family income, the student will receive a 75% prorated amount if the family's income is between 300% and 350% of the FPG and a 50% prorated amount if the family's income is between 350% and 400% of the FPG. While this provision increases the number of students eligible for a scholarship, the program's funding depends on state appropriation levels determined by the General Assembly. If the number of qualified scholarship applications received exceeds what the appropriation can support, ODE awards scholarships first to students who received an income-based scholarship in the prior school year, then to eligible students below 100% of the FPG. If the appropriation is insufficient to fund all applicants with family incomes below 100% of the FPG, students in this group are selected by lottery. If funding still remains, other eligible applicants are awarded scholarships, again by lottery if the appropriation is insufficient to fund all applicants at this priority level. While a lottery was necessary for FY 2019 scholarships, one was not necessary for FY 2020.

Academic distress commissions

The bill dissolves any current academic distress commissions (ADC) established for a school district if that district received an overall grade of "D" or higher on the school report cards for the 2018-2019 school year. This provision only applies to the Lorain City School District.

The bill requires each district to continue operating under its ADC until June 30, 2020, during which time the ADC and the chief executive officer for the ADC must work with the district board to transition control back to the district board. The bill also requires ODE to pay the remainder of each chief executive officer's contract upon dissolution of the ADC. Under current law, the state pays the compensation of an ADC's CEO. CEO compensation is paid through an earmark of \$1.2 million in FY 2020 and \$1.8 million in FY 2021 from GRF line item 200550, Foundation Funding.

Higher education provisions

University review of student records for associate degree or certificate eligibility

Each state university will likely incur increased administrative costs to review its student records every two years to identify certain disenrolled students who have not completed a bachelor's degree but are eligible or close to being eligible for an associate degree. The bill prescribes the criteria that each state university must use to identify the students. A student must (1) have been disenrolled for four or more semesters, including summer sessions, (2) have not completed a bachelor's degree, (3) have a grade point average of 2.0 or higher on a 4.0 scale, and (4) have completed at least 45 credit hours. The first review conducted under the bill must include students who disenrolled from the university within the prior five years while subsequent reviews are limited to students who disenrolled within two years prior to that review. Each institution must notify, using the most recent contact information the university has on file, those students that are eligible or close to being eligible for an associate degree offered by that university, and report the findings of each review to the Chancellor of Higher Education. Such costs may be significant to identify students, complete degree audits, and, if eligible, provide notification. The administrative workload of the Department of Higher Education (DHE) will increase to develop and adopt rules to implement the program.

Several years ago, DHE piloted Project Win-Win, a program that appears to be similar to the one proposed above that operated in nine states and 61 two-year institutions. Project Win-Win identified students who were either eligible for an associate's degree or stopped their education when they were very close to earning the degree and assisted those students in completing the courses and credits needed to qualify for the degree. Seven university regional campuses and community colleges participated in the program in Ohio. The Lumina Foundation supported the program through grants passed through DHE to the participating institutions. Those institutions received a total of about \$111,000 from the Foundation to carry out the program. In October 2013, the Institute for Higher Education Policy published a report evaluating the national implementation of Project Win-Win.¹ Below are some notable findings that may be applicable to the program required by the bill.

- "By far, the degree audit was the most difficult and time-consuming Win-Win task in determining . . . whether students . . . should be awarded an associate's degree, or, if

¹ Adelman, Ph.D., Cliff, "Searching for Our Lost Associate's Degrees: Project Win-Win at the Finish Line," Institute for Higher Education Policy, October 2013. Available online at <http://www.ihep.org/research/publications/project-win-win-finish-line>.

not, whether they were “potential completers” with a relatively small number of credits left to earn an associate degree. There are various software programs available to automate the degree audit process, but, to maintain academic integrity, “nearly all institutions that employed these tools supplemented their findings with hand-and-eye readings; 11 schools used nothing but hand and eye.”

- The registrars’ office is central in the degree auditing work, “but some Win-Win institutions hired temporary employees with the necessary background and knowledge of institutional protocols to handle the load. These included retired deans of students and former institutional research officers – all working part time.”

Waiver of tuition and general fees for final course

State institutions of higher education may forgo revenue from waiving, in certain circumstances, an eligible student’s tuition and general fees for a course that is necessary to complete a bachelor’s degree. This provision mostly affects public universities since, with the exception of “applied bachelor’s degree programs,” two-year public colleges generally offer two-year degrees or shorter programs. The amount of foregone revenue will depend on the number of students eligible for a tuition waiver and each institution’s tuition rates. LSC does not have data that suggests how many students may qualify, but the number may be somewhat limited due to the criteria specified by the bill. In order to be eligible, all of the following must apply to the student:

- The student was enrolled full time, as defined by the Chancellor, in the student’s final year;
- The student was unable to enroll in the final course in the student’s final year due to a lack of course availability or other circumstances beyond the student’s control, as determined by the Chancellor;
- The student paid all tuition and general fees and did not receive a refund for the courses in which the student enrolled in the student’s final year at the beginning of that year;
- The student registers for the final course in the next academic year in which the course is offered;
- The student did not enroll in the maximum amount of credit hours in the student’s final year, as determined by the state institution of higher education.

As with the program discussed above, DHE’s administrative workload will increase to develop and adopt rules to implement the program.

New administrative responsibilities

The bill also may increase the administrative costs of the state institutions of higher education and DHE to fulfill the requirements described below.

- A state university must provide information on how to use both its transfer appeal process and DHE’s student complaint portal to a student that has been denied credit any time the university refuses to accept or grant credit for any general education coursework that is both completed at a different state university and subject to the

policies, procedures, or systems in place or proposed under the bill related to the transfer of college credits.

- Each state institution of higher education must include in its updated strategic completion plan, provided to DHE every two years under continuing law, a report about the institution's collaboration with other institutions of higher education through the Chancellor's initiative to assist students who have some college experience, but no degree, in earning an associate degree, certificate, or credential. The initiative appears to be the Credit When It's Due (CWID) Program, which began in 2013 to assist eligible students with obtaining an associate degree through collaboration between the public institutions. According to DHE, all 13 public universities and 23 community colleges participate in the initiative.
- DHE's Ohio Articulation and Transfer Network Oversight Board must conduct a study of current rules involving college credit transfers between state institutions of higher education and, within one year after the bill's effective date, issue to the General Assembly a report of its findings and recommendations for changes to the rules.

Electronic equivalency management tool

There appears to be little, if any, fiscal effect associated with the bill's requirements for DHE to develop an electronic equivalency management tool to assist in the transfer of coursework and degrees between state institutions of higher education. It appears DHE may already comply with this requirement through various resources available on its website. DHE currently oversees the Course Equivalency Management System (CEMS), an online portal that, according to DHE, is used to submit courses and programs and create matches for Ohio Transfer Modules (OTM), Transfer Assurance Guides (TAGs), Career-Technical Assurance Guides (CTAGs), and Advanced Placement (AP). Faculty panels review courses submitted by institutions to the system and approve matches. In addition, DHE hosts an online tool for students that uses a five-step process to determine if a student's credits will transfer towards certain transfer-to-degree pathways at other institutions in the state.²

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² To access the tool and view more information on transferring college credit, please view the following link: https://transfercredit.ohio.gov/pg_20.