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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**S.B. 120**  
**133<sup>rd</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for S.B. 120's Bill Analysis](#)

**Version:** As Enacted

**Primary Sponsors:** Sens. McColley and Rulli

**Local Impact Statement Procedure Required:** No

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### **Highlights**

#### **Educational Choice Scholarship Program**

- The bill appropriates \$10 million from the GRF in FY 2021 to directly pay a limited number of performance-based Educational Choice (“EdChoice”) scholarships for students who are eligible for the first time for the 2020-2021 school year. The bill limits the number of scholarships that may be awarded for these students to only those that are funded by this appropriation.
- As a result, the bill reduces deductions of school district state foundation aid to finance performance-based scholarships for FY 2021. Also, school district expenditures may increase to educate public students that otherwise would have taken a scholarship to attend a nonpublic school.
- Scholarships for students who were eligible for the performance-based program in both the 2019-2020 and 2020-2021 school years will continue to be financed by a deduction of foundation aid of the student’s resident school district in FY 2021.

#### **Performance audits of state institutions of higher education**

- The state institutions receiving performance audits under the bill are responsible for paying the Auditor of State for these audit costs, although there are maximum limits that apply depending on student enrollment under current law. Payments would be deposited into the Public Audit Expense – Intrastate Fund (Fund 1090).
- State institutions of higher education could obtain one-year loans from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0) to cover these audit costs.

## Detailed Analysis

### Educational Choice Scholarship Program

#### Performance-based scholarships

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.

The bill increases GRF appropriation item 200550, Foundation Funding, by \$10 million in FY 2021 to fund performance-based scholarships for the 2020-2021 school year for students who are eligible for a performance-based scholarship for the first time. In general, this applies to students who attend or would otherwise attend one of the 727 public schools that have been newly designated under the performance-based EdChoice Program for the 2020-2021 school year. The bill limits the number of scholarships that may be awarded for these students to only those that are funded by this appropriation and specifies that they be allocated on a first-come, first-served basis. As a result, the bill reduces deductions of school district state foundation aid to finance performance-based scholarships for FY 2021. Also, school district expenditures may increase to educate public students that otherwise would have taken a scholarship to attend a nonpublic school.

Students eligible for a performance-based scholarship in both the 2019-2020 and 2020-2021 school years, regardless of whether they received scholarships in the 2019-2020 school year, remain eligible for performance-based scholarships. These scholarships would continue to be financed by a deduction from the foundation aid of the student’s resident school district. As a point of reference, roughly 30,000 students have been awarded performance-based scholarships totaling about \$149 million in FY 2020.

Limiting the number of first-time performance-based scholarships in FY 2021 will have no other direct fiscal effect on the state. 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.

#### Performance audits of state institutions of higher education

State institutions of higher education selected for a performance audit by the Auditor of State will be billed for those costs. Under current law, these billings are tiered according to student enrollment thresholds. The performance audits allowed under the bill are in addition to the minimum of four performance audits the Auditor of State is required to carry out each biennium under current law. In FY 2019, the Auditor of State’s Office released its final audit report related to its performance audit of Ohio State University’s IT and shared services

operations.<sup>1</sup> The total cost of this audit was approximately \$350,000, and identified slightly more than \$6.4 million in potential savings that could be achieved by implementing the audit recommendations. Ohio State University's payment was deposited into the Public Audit Expense – Intrastate Fund (Fund 1090).

### **Payment of performance audit costs**

Continuing law requires agencies receiving a performance audit to pay the costs associated with those audits. The proceeds from these billings are deposited into Fund 1090. State institutions of higher education would likewise be responsible for these costs, although the bill allows them to loan money from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0), a revolving loan program, to cover the cost. Under existing terms of the revolving loan program, repayment of the loans, including interest, is due one year from the completion date of the audit. If any agency or political subdivision does not fully repay the loan and interest amount by that date, the Auditor of State would certify the amount owed to the Director of Budget and Management, who would then withhold funds in the amount owed or as much as is available at the time to pay the billed costs, and submit that amount to the Auditor of State as payment.

Current law specifies maximum amounts that the Auditor of State may charge state institutions of higher education for conducting performance audits. These cost thresholds are based upon the full-time equivalent enrollment of the institutions, and are divided into three categories: (1) for enrollment of 5,000 or less, a maximum of \$125,000, (2) for enrollment greater than 5,000 but not more than 30,000, a maximum of \$250,000, and (3) for enrollment of 30,000 or greater, a maximum of \$350,000. Notwithstanding these statutory limits, current law allows for the cost of performance audits to exceed these thresholds on agreement between the Auditor of State and the state institution of higher education being audited.

### **Current performance auditing procedures**

According to the Auditor of State, performance audits take approximately 16 to 32 weeks to complete and consist of three distinct stages, including planning and determining the scope, field work, and report preparation. The Performance Auditing Section consists of about 32 employees. In FY 2019, the Auditor of State spent approximately \$3.1 million to conduct performance audits of state agencies and local governments. The current hourly fee charged to state agencies is a flat rate established by the Statewide Cost Allocation Plan (SWCAP), and is revised every year. The hourly rate per assigned Auditor of State employee for FY 2019 was \$68.00. The fees are deposited into Fund 1090.

### **Campus housing facilities with nonpublic vendors**

The bill provides universities with more flexibility in establishing lease agreements with a nonpublic vendor for campus housing facilities by increasing the maximum term of a lease from 30 to 75 years and permitting universities to enter into a lease agreement to improve existing campus housing facilities, rather than solely to construct new facilities as under current law.

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<sup>1</sup> Ohio Auditor of State, [https://ohioauditor.gov/auditsearch/Reports/2018/UPDATED\\_Ohio\\_State\\_University\\_18\\_Performance-Franklin.pdf](https://ohioauditor.gov/auditsearch/Reports/2018/UPDATED_Ohio_State_University_18_Performance-Franklin.pdf) (accessed April 7, 2019).

## **College Credit Plus informational sessions**

The bill expands the number of public, private, or eligible out-of-state colleges that may participate in at least one informational session scheduled by a public or participating private, nonpublic school under the College Credit Plus (CCP) Program. Under current law, each school is required to schedule one informational session per year with a college that has an agreement with the school to offer a CCP Program (“partnering” college) that is located within 30 miles of the school, or the next closest one if none are within that distance. In addition to a “partnering” college, the bill requires a school to include any college that participates in CCP and submits a request to the school to attend an informational session.