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Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsors: Reps. Manning and Seitz

Local Impact Statement Procedure Required: No

Brian Hoffmeister, Fiscal Supervisor

Highlights

- The Department of Education and Workforce (DEW) may incur additional costs from the GRF of up to several million dollars or more annually to create a report card system for chartered nonpublic schools with at least 20% of enrollment consisting of EdChoice or Cleveland scholarship students.
- One of the primary costs of the bill is for new staff. DEW may incur new staffing costs of between \$1.3 million and \$1.5 million annually for up to 12 full-time equivalent (FTE) positions to conduct data analysis and software development for nonpublic school report cards and a public system for comparing the performance of EdChoice and Cleveland students in chartered nonpublic schools with students in public schools.
- Additionally, the bill may increase the state's contracted costs for student value-added progress reports by up to around \$176,000 annually. There may be additional costs for teacher value-added reports for nonpublic schools that elect to receive them.
- DEW may incur additional GRF subsidy costs of up to several million dollars annually to support the connection of chartered nonpublic schools to the Education Management Information System (EMIS), including additional funding to information technology centers (ITCs) and connectivity subsidies to chartered nonpublic schools.
- The bill generally eliminates exemptions that allow scholarship students to take alternative tests instead of state tests. Most scholarship students take alternative tests. However, the provision may not necessarily increase state testing system costs due to the structure of the current testing contract, which is based on aggregate amounts for specific activities. If any additional costs ultimately arise, they likely will depend on negotiations with the testing vendor.

Detailed Analysis

Bill overview

The bill establishes new reporting requirements and other accountability measures for chartered nonpublic schools enrolling students who participate in the EdChoice or Cleveland scholarship programs, which the bill designates as “general scholarship programs.” Specifically, the bill requires the Department of Education and Workforce (DEW) to establish a report card system for chartered nonpublic schools with at least 20% of their enrollment consisting of general scholarship students and a publicly accessible system for comparing the performance data of general scholarship students enrolled in a chartered nonpublic school with that of similar students enrolled in public schools. DEW must also report data on general scholarship participants disaggregated by income level. The bill requires a chartered nonpublic school enrolling general scholarship students to submit scholarship expenditure reports to DEW, establish and report admission procedures for cases of excess demand, and report certain enrollment and capacity data to DEW if the school’s general scholarship students make up at least 20% of its total enrollment.

Current law generally requires each chartered nonpublic school that participates in a state scholarship program to administer the state tests for grades 3-8 or approved alternative tests to its scholarship students.¹ A chartered nonpublic school generally must administer to its high school students each required end-of-course examination or an approved alternative test. In the case of a school accredited by the Independent Schools Association of the Central States (ISACS), only state scholarship students are required to take the end-of-course examinations or alternative tests. The bill eliminates the options for general scholarship students in chartered nonpublic schools to take, as well as qualify for graduation by performing at certain levels on, alternative tests, thus generally requiring those students to take the same state tests and meet the same graduation requirements as students in public schools. Further, the bill makes changes to disciplinary recordkeeping requirements.

State performance reporting

Report cards

Current law requires DEW to operate a report card system for disseminating data on the performance of public schools, including traditional school districts, community schools, and science, technology, engineering, and mathematics (STEM) schools. The bill requires DEW to establish a similar report card for chartered nonpublic schools whose enrollment consists of at least 20% scholarship students. Under the bill, this report card must be as similar as practicable as the report card for public schools. For reference, the current report card for public schools rates performance with respect to state test proficiency levels, progress compared to expected academic growth (the “value-added progress dimension”), closing achievement gaps, graduation rates, reading improvement and proficiency for students in grades K-3, and other metrics.

¹ A school must administer the state tests for grades 3-8 to all of its students if 65% or more of its students are attending with a state scholarship, but the parent or guardian of a nonscholarship student may opt the student out of a state test.

DEW uses testing and other data that public schools submit in the Education Management Information System (EMIS) to generate report cards. EMIS is DEW's primary system for collecting student, staff, course, program, financial, and accountability system data from public schools. Public schools may review their report card data in EMIS and submit corrections if necessary before the report cards are finalized. However, chartered nonpublic schools do not report data through EMIS. According to DEW, the testing vendor provides the data for scholarship students directly to the Department and chartered nonpublic schools do not have the option to review and correct data. According to DEW, the Department will need chartered nonpublic schools to submit data to EMIS in order to generate report cards for them (see below).

Public comparison system

The bill also requires DEW to create a system for publicly comparing the performance of scholarship students to those in public schools. Specifically, the bill requires DEW to establish a publicly available system on its website for comparing the performance of general scholarship students enrolled in a chartered nonpublic school with that of similar students in the school district where the school is located, or a community, STEM, or other chartered nonpublic school in the same district. The comparison must consider age, grade, race and ethnicity, gender, and socioeconomic status. The bill also requires DEW to post on its website the number of scholarship students disaggregated by income level; specifically, those whose family adjusted gross income (AGI) is at or below 450% of the federal poverty level (FPL), the number in each 50 percentage point FPL band above 450% FPL and at or below 750% FPL (e.g., above 450% and at or below 500%; above 500% and at or below 550%, etc.), and the number above 750% FPL. The bill requires DEW to request any data necessary for the income reporting requirement from the Department of Taxation.

Further, while not part of the public comparison system, the bill requires chartered nonpublic schools to report the family income of each student who receives a scholarship from a scholarship granting organization (SGO). Under continuing law, a chartered nonpublic school may accept scholarships issued by an SGO as payment for the difference between a student's EdChoice scholarship amount and their regular tuition and fees. However, the bill does not require DEW to publicly post data about SGO student incomes.

Fiscal effects of accountability system changes

Most chartered nonpublic schools will receive a state report card as a result of the bill. LBO identified 577 chartered nonpublic schools, or 81% of all chartered nonpublic schools operating in FY 2024, that meet the bill's 20% scholarship student enrollment threshold. We estimated each school's scholarship enrollment percentage by comparing each school's number of scholarship participants to its overall enrollment, both of which are reported by DEW. The actual number may vary due to various data limitations.² Implementing the bill's requirements

² DEW uses different reporting periods to collect nonpublic school enrollment and scholarship participation data, which means the two data sets are not strictly comparable. Overall, chartered nonpublic school enrollment generally is based on the school's average enrollment during the first week of October while scholarship participation is updated during the fiscal year. Also, DEW masks a school's scholarship participants or enrollment when the number is less than ten to protect student privacy. This

for a nonpublic school report card and a public comparison system will result in additional staffing, administrative, and information technology costs to DEW. Additionally, DEW may incur additional costs for “value-added” progress reports, to fund the connection of qualifying chartered nonpublic schools to the Ohio Education Computer Network used for submitting data in EMIS, and to provide subsidies to the information technology centers (ITCs) that collect, process, and transfer data for use within EMIS.

DEW staffing costs

DEW indicates its Office of Accountability, as well as information technology units for Enterprise Applications and Data Quality and Governance, will incur the majority of costs resulting from the bill’s accountability system requirements, generally due to increased staffing. DEW anticipates 12 additional full-time equivalent (FTE) employees to carry out software development and data analytics, consisting of data scientists, data analytics specialists and managers, and software development specialists. Currently, DEW has 78 FTEs in these offices, comprising 73 filled and five vacant positions. Total annual compensation, including salary and benefits, for these employees may range between \$1.3 million and \$1.5 million, depending on pay rates and benefits (Table 1). Based on the state’s FY 2024 classification and pay ranges, mid-range base salaries across all these positions average approximately \$89,000, but pay ranges may vary based on qualifications, experience, and longevity. The state pays 14% of employees’ base salary toward retirement benefits and health insurance costs that vary based on whether an employee chooses single or family coverage.

Table 1. Estimated Additional Annual DEW Staffing Costs under H.B. 407

Job Title	# of FTE	Total Salary + Benefits (Single Coverage)	Total Salary + Benefits (Family Coverage)
Senior Data Analytics Specialist	1	\$106,000	\$120,000
Assistant Administrator	1	\$74,000	\$88,000
Software Development Specialist 2	2	\$211,000	\$240,000
Software Development Specialist 3	2	\$231,000	\$260,000
Software Development Specialist 4	1	\$126,000	\$140,000
Data Analytics Manager	1	\$130,000	\$144,000
Data Administration Manager 2	2	\$238,000	\$266,000
Data Scientist	2	\$217,000	\$246,000
Total	12	\$1,333,000	\$1,506,000

means that we were not able to calculate percentages for some small schools. Nevertheless, DEW may not be able to generate report card results for some small schools. For example, a public school must have at least ten students taking state tests to generate a performance index score.

Value-added progress dimension

The state report card for public schools includes a value-added progress dimension that measures academic growth for students in grades 4-8 and high school. The bill requires the report card for chartered nonpublic schools to be as similar as practicable to the report card for public schools. However, a continuing law provision enacted in H.B. 33 of the 135th General Assembly, the main operating budget act for the FY 2024-FY 2025 biennium, requires DEW to develop a new student growth measure for EdChoice students enrolled in grades 4-8 in chartered nonpublic schools by the end of FY 2025. It is unclear if DEW will have to provide both the value-added progress measure like the one used for public schools and the new student growth measure.

If both must be provided, DEW contracts with a vendor (SAS Institute, Inc.) to produce the value-added progress reports that feed into the report card system. Continuing law caps the cost of the contract to implement the value-added progress dimension at \$2.00 per student. According to DEW, the current value-added contract pays the vendor the maximum amount, at a cost of roughly \$2.2 million for FY 2023 value-added reports. In FY 2024, roughly 88,000 students in grades 4-12 attend chartered nonpublic schools using a Cleveland or EdChoice scholarship. If value-added reports are generated for each of these students, the state's value-added contract cost will increase by about \$176,000 each year. However, if the new student growth measure takes the place of the value-added progress dimension in chartered nonpublic school report cards, DEW's marginal costs due to this bill may be less.

There may also be additional costs for the teacher-student linkage and roster verification process and teacher value-added reports. The linkage and roster verification process allows for the production of teacher value-added reports that assist with educator professional development and, for public schools, educator evaluations. DEW contracts with the Management Council of the Ohio Education Computer Network (MCOECN) to carry out the linkage and roster verification process, at a current cost of roughly \$1 million each fiscal year. DEW's contract with SAS Institute, Inc., pays for the production of teacher value-added reports, at a cost of \$1.2 million in FY 2023, which is not included in the cost for student value-added reports. Costs for both contracts may increase if chartered nonpublic schools elect to receive teacher value-added reports. These costs likely will depend on the number of nonpublic schools electing to receive the reports and negotiations between DEW and the vendors. The current contracts pay MCOECN and SAS Institute, Inc., certain aggregate amounts for various deliverables. For example, the MCOECN contract lists various amounts for pulling and integrating data from EMIS, data quality review, technology services, training and support for districts and information technology centers, and project management.

Current accountability system appropriations

H.B. 33 appropriates \$6.7 million in FY 2024 and \$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, payments to the vendors for the production of value-added reports and the teacher-student linkage and roster verification process, funding and expenditure accountability reports, and other performance management activities and training for educators. Additional GRF appropriations are used to support data collection in EMIS, including GRF line item 200446, Education Management Information System.

Participation of nonpublic schools in EMIS

For the bill's report card system to be as similar as possible to that for public schools, chartered nonpublic schools will need to participate in EMIS. To do so, chartered nonpublic schools will need to use the services of one of the state's 18 ITCs, if they do not already do so. Connecting these schools to EMIS may result in additional GRF expenditures to subsidize ITCs through a formula that provides funding on a per-district and per-pupil basis for each ITC's participating schools and districts, subject to available appropriation. In FY 2024, this subsidy provides payments of roughly \$2,450 per participating local education agency for fiscal support, plus a payment of \$2.53 per pupil for student information support and 61¢ per pupil for EMIS reporting services. The cost for these subsidies may increase substantially, perhaps by up to a few million dollars annually, under the bill but will depend on the number of schools that subscribe to each service, the number of students in those schools, and state appropriation levels. H.B. 33 earmarks up to \$6.0 million in FY 2024 and up to \$6.4 million in FY 2025 for state subsidy to ITCs through GRF line item 200426, Ohio Educational Computer Network, and up to an additional \$950,000 each fiscal year from GRF line item 200446, Education Management Information System, to ITCs for costs related to EMIS operations.

Additionally, certain nonpublic schools may be eligible for connectivity subsidies that may enable them to connect to ITCs to participate in EMIS. According to the Ohio Education Computer Network (OECN), the statewide collaborative network of ITCs and their participating districts and schools, no chartered nonpublic schools participate in EMIS for the 2023-2024 school year. However, 203 chartered nonpublic schools currently receive a state connectivity subsidy through DEW, which requires recipients to maintain a connection to the OECN. For FY 2024, the subsidy award is \$1,800 per building and is paid for using a portion of GRF line item 200426, Ohio Educational Computer Network. Nonpublic schools that do not currently participate in an ITC through the OECN may be eligible for this subsidy if they meet all the requirements to do so, including applying for a federal E-Rate internet access subsidy with an ITC as their internet service provider.

Currently, 385 chartered nonpublic schools both have enrollment consisting of at least 20% scholarship students and do not receive a connectivity subsidy in FY 2024. Funding a subsidy for each of these schools at the FY 2024 rate of \$1,800 per building would result in an additional expenditure of \$693,000 annually. However, actual costs may vary, as the per-building subsidy amount is determined by DEW based on available funding from the General Assembly and may be further limited if additional schools qualify and apply. Also, not all of the 385 schools potentially eligible for a subsidy may need, apply for, or qualify for one, depending on their individual circumstances.

Other factors

Certain factors may mitigate the need for new costs, including filling vacant positions already budgeted. Existing platforms such as DEW's public-facing reports portal³ may provide an appropriate venue for the comparison system required by the bill, depending on the formatting and functionality required to provide comparisons of the bill's prescribed demographic and

³ Accessible at reports.education.ohio.gov.

educational comparison groups. For example, DEW currently posts a Scholarship Assessment Report that allows users to access proficiency rates of scholarship students on each state assessment by scholarship program and resident district, including further breakdowns by grade, race and ethnicity, gender, and years in the program.⁴ However, the bill requires certain data not currently included in the existing reports, including socioeconomic disaggregation and comparisons between a particular chartered nonpublic school and the district in which it is located.

Additionally, chartered nonpublic schools receive some support from the state for administrative costs tied to state-mandated requirements. These may include the preparation and filing of forms related to the school's charter, as well as required reporting on enrollment, attendance, transportation, and other student data. The bill may increase chartered nonpublic school administrative costs. However, the state caps the amount of reimbursement each school may receive at a per-pupil rate established by the General Assembly in each main operating budget act. H.B. 33 sets the maximum rate at \$475 per pupil for FY 2024 and FY 2025. Actual reimbursements are subject to available appropriation in GRF line item 200532, Nonpublic Administrative Cost Reimbursement. In FY 2024, the appropriation permits a maximum reimbursement of about \$440 per pupil. Nearly all (94%) of the chartered nonpublic schools receiving the reimbursement in FY 2024 are capped at the maximum per-pupil amount.

State tests and graduation requirements

Under current law, elementary scholarship students in chartered nonpublic schools may take an alternative test in lieu of a state test for students in grades 3-8. High school scholarship students may take only an alternative assessment or, in certain circumstances, the ACT or SAT, instead of both the state end-of-course examinations and the ACT or SAT. The bill removes these options for general scholarship students and instead requires them to take the same state tests as students in public schools.⁵ According to DEW, alternative tests cannot be used in place of state tests under the current report card system.

In FY 2023, over half of all students in grades 3-8 receiving an EdChoice or Cleveland scholarship and between 80% and 85% of such students in grades 9-12 took an alternative assessment (see Table 2). The state currently does not pay for nonpublic schools to use an alternative test. Those schools wishing to do so must pay for them. The provision may not necessarily increase state testing system costs. This is due to the cost structure of the state's testing contract with its main testing vendor (Cambium). This contract is not paid on a per-student or per-test basis. Rather, the contract provides certain aggregate dollar amounts for state test deliverables, including test development, administration, scoring and reporting,

⁴ DEW Scholarship Assessment Report – State, accessible at reports.education.ohio.gov by navigating to “Nonpublic Data,” then “Scholarship,” then “Scholarship Assessment Report.”

⁵ Note that the bill does not affect the assessment exceptions in current law for chartered nonpublic school students who are not enrolled in either the EdChoice or Cleveland scholarship programs, or who are eligible for exceptions related to English learners, individualized education programs, and certain students with disabilities. The bill also expressly continues allowing alternative assessments for students receiving an Autism Scholarship or a Jon Peterson Special Needs Scholarship.

support and training, and project management. However, if this provision ultimately results in additional costs, such costs likely will depend on contract negotiations with the testing vendor.

Scholarship	Grades 3-8	Grades 9-12
EdChoice – Traditional	56.0%	84.6%
EdChoice – Expansion	56.9%	80.4%
Cleveland	58.7%	82.4%

Additional nonpublic school reports to DEW

Expenditure reports

The bill requires chartered nonpublic schools enrolling general scholarship students to report their expenditure of general scholarship funds to DEW annually. Under the bill, DEW will prescribe the form and manner of the reports and must post each report on its website, including as part of the school’s report card (see “**Report cards**” above). DEW may incur minimal additional administrative costs to develop and post these reports, and may be able to support the costs with existing resources.

Under the bill, chartered nonpublic schools may contract with an ITC for assistance in complying with the requirement. ITCs currently provide various data services to public and chartered nonpublic schools, including support for various data and reporting requirements. Schools choosing to contract with an ITC will likely need to pay for such contracts out of their own funds, although schools with existing ITC contracts may be able to add the services under the bill to their existing arrangements. Because chartered nonpublic schools do not participate in EMIS, any reporting of state scholarship expenditures under the bill would likely need to be handled independently by each school using the requirements set forth by DEW. The state funding described above for ITCs may also be able to support certain ITC costs.

Admissions, capacity, and enrollment reports

The bill requires chartered nonpublic schools in which at least 20% of enrollment consists of general scholarship students to report their total enrollment and capacity limits by grade level, school building, and education program, as well as the number of enrolled scholarship students disaggregated by the type of school they were enrolled in, or whether they were educated at home or were not enrolled in school in Ohio, during the prior year. The bill also requires chartered nonpublic schools to report to DEW its method of determining which students to admit if applications for a particular grade level, building, or education program exceed capacity. The bill requires DEW to include these reports as part of the school’s report card (see “**Report cards**” above).

Student disciplinary records

The bill requires traditional school districts, community and STEM schools, college-preparatory boarding schools, and chartered nonpublic schools to maintain a disciplinary record

for each student subject to a disciplinary action, subject to state and federal student privacy laws. The bill also expressly includes these records in continuing law that requires a district or school to transmit the records of a student who transfers to a new school within five days of receiving a request from the new school.

It is likely that most schools already maintain disciplinary records for most, if not all, students. Existing administrative rule requires schools to maintain and transmit the disciplinary records of students with disabilities in the same manner as those of students without disabilities (Ohio Administrative Code 3301-51-04). School districts and other public schools that do not already maintain disciplinary records for all students will incur administrative costs to do so.