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H.B. 561
135th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Brennan and Sims

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SUMMARY

Conversion to nonprofit community school operators

- Provides that, on or after July 1, 2026, a community school with a for profit operator no longer qualifies as a public school.
- Specifies that only a nonprofit organization or governing board of an educational service center (ESC) may enter into or renew a contract to be the operator of a community school after the bill's effective date.
- Requires a for profit entity to convert to a nonprofit organization in order to enter into or renew a contract to operate community schools.
- Permits a for profit individual or organization to continue to provide services under a contract entered into prior to the bill's effective date until July 1, 2026.

DETAILED ANALYSIS

Requirement for nonprofit operators

The bill provides that, on or after July 1, 2026, or the date on which the contract for operation of the school is subject to renewal, a community school with a for profit operator no longer qualifies as a public school.¹ Accordingly, it operates as a public community school after that date, if it has an operator at all, the school must contract with one that is a nonprofit entity.

¹ R.C. 3314.01(B)(2).

Definition of operator

The bill revises the definition of an operator to limit all new operators to only nonprofit entities. Specifically, under the bill, an “operator” is a nonprofit organization or governing board of an educational service center (ESC) that either:

1. Manages the daily operations of a community school pursuant to a contract between the operator or management company and the school’s governing authority; or
2. Provides programmatic oversight and support to a community school under a contract with the school’s governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the operator’s or management company’s quality standards.

Under current law any “individual or organization” may act as an operator. This provision is removed by the bill. The effect of the bill is to prohibit for profit entities from entering into new, or renewing, contracts with community schools on and after the bill’s effective date.²

For profit operators with contracts entered into or renewed before the bill’s effective date may continue to operate as such until the expiration of the operator contract.³ However, when the contract becomes subject to renewal the operator must become a nonprofit entity.⁴

Conversion to a nonprofit operator

The bill provides a method for an operator, which is currently a for profit entity, to continue its relationship with a community school while that school retains its status as a community school. That is for the operator to become a nonprofit entity by July 1, 2026, or by the date on which the contract for operation of the school is subject to renewal.

On or before January 1, 2025, such an entity must notify the governing authority of each community school with which the operator has a contract regarding its decision to convert to a nonprofit entity in compliance with the bill’s new definition of operator.⁵

Community school selection of ESC as operator

The bill also specifically permits the governing board of an ESC to act as an operator of a community school.⁶

In the event that a for profit entity does not comply with the requirement to convert to a nonprofit entity, the school’s governing authority must (1) identify an ESC to act as the new

² R.C. 3314.02(A)(8).

³ R.C. 3314.0111.

⁴ R.C. 3314.01 and 3314.032.

⁵ R.C. 3314.0111 (first paragraph).

⁶ R.C. 3314.0111(A) and 3314.02(A)(8).

operator of the community school not later than July 1, 2025, and notify the school's sponsor of that decision and (2) provide notice to the parents of current and prospective students.

A governing authority that fails to do so must close by the end of the last school year specified in the current operator contract.

Background

Community schools (often called "charter schools") are public schools that operate independently from any school district under a contract with a sponsoring entity. A conversion community school, created by converting an existing school, may be located in and sponsored by any school district or educational service center in the state. On the other hand, a "start-up" community school may be located only in a "challenged school district." A challenged school district is any of the following: (1) a "Big-Eight" district (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, or Youngstown), (2) a poorly performing district as determined by its performance index score, value-added progress dimension, or overall ratings on the state report card, or (3) a district in the original community school pilot project area (Lucas County).

Many, but not all, community school governing authorities contract with private or public entities to run the day-to-day operations of their schools. A school's contract with the "operator" is separate from the school's contract with its sponsor.

The sponsor of a start-up community school may be any of the following:

1. The school district in which the school is located;
2. A school district located in the same county as the district in which the school is located has a major portion of its territory;
3. A joint vocational school district serving the same county as the district in which the school is located has a major portion of its territory;
4. An educational service center;
5. The board of trustees of a state university (or designee) under specified conditions;
6. A federally tax-exempt entity under specified conditions;
7. The Department of Education's Office of Ohio School Sponsorship for a limited number of community schools; or
8. The mayor of Columbus for new community schools in the Columbus City School District under specified conditions. (However, it does not appear that those conditions have been triggered and cannot be triggered now without further legislation.)

HISTORY

Action	Date
Introduced	05-15-24