



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 2 of the 131st G.A.

Date: March 26, 2015

Status: As Reported by House Education

Sponsor: Reps. Dovilla and Roegner

Local Impact Statement Procedure Required: No

Contents: Management and sponsorship of community schools

State Fiscal Highlights

- The Department of Education and the State Board of Education are required to provide certain types of administrative review and reporting for community schools, which will result in minimal administrative costs.

Local Fiscal Highlights

- The bill makes adjustments to contracts between community schools, sponsors, and governing authorities. It also increases the responsibility of community school sponsors to report on oversight of certain community school operations. The bill's requirements may result in minimal costs to community schools, their governing boards, and their sponsoring entities.

Detailed Fiscal Analysis

The bill modifies the laws governing the management and sponsorship of community schools. These modifications may affect the administrative burden of community schools and the Ohio Department of Education (ODE).

Switching sponsors

The bill requires that certain low-performing community schools that have had more than one sponsor in the previous five years receive prior approval from ODE before switching sponsors. Based on the report card for the 2013-2014 school year, there are 56 regular community schools and five drop out recovery community schools that qualify as low-performing under this provision. The bill also requires that all community schools receive prior approval from ODE before switching sponsors within the first four years of operation. This provision may minimally increase ODE's administrative burden to provide these approvals.

Reporting requirements

The bill includes a number of reporting requirements for community schools and their sponsors. These requirements may increase the administrative burden of the schools and their sponsors, but will not increase costs substantially. The bill's reporting requirements for community schools include: an addendum to the school's contract with its sponsor detailing the school's facilities, including associated costs; monthly financial and enrollment records to be furnished to the sponsor, members of the governing board, and fiscal officer; policies and procedures for internal financial controls to be filed with the sponsor; criteria for early termination, notification procedures, and a stipulation of facilities and property ownership to be included in contracts with an operator; a report of students residing in a children's residential center to be submitted to ODE and the Auditor of State; attendance and participation policies to be available for public inspection; the name of each member of the school's governing authority to be posted on the school's website; the name and address of each member to be provided, upon request, to ODE and the sponsor; and annual verification that there are no findings for recovery against any member of the governing authority. The bill's reporting requirements for community school sponsors include: the amount and type of expenditures made in providing oversight and assistance to each sponsored school; and assurances that certain information has been reviewed related to the use of blended learning models to be submitted to ODE.

Fiscal officers and attorneys

The bill requires community school fiscal officers to be employed by or engaged under a contract with the governing authority of the community school, but also provides authorization for the governing authority to waive responsibility for employing or contracting with the designated fiscal officer, so long as the school's

sponsor approves such a waiver. Current law already requires fiscal officers for all community schools; therefore, this provision will likely not cause any additional costs. The bill also requires the governing authority of a community school to employ an attorney, independent from the school's sponsor or operator, for services related to the negotiation of the school's contract with the sponsor or operator. This may increase costs minimally for community schools.

Training on Public Records and Open Meetings Laws

Governing authority members, as well as the designated fiscal officer, the chief administrative officer, and other school administrative employees or individuals performing administrative services under contract with the school's operator must complete an annual training on the Public Records and Open Meetings Laws. The three-hour training is offered through the Ohio Attorney General's Office throughout the year at various locations in Ohio. This requirement poses a minimal increase in costs for community schools.

School operators

The bill eliminates a procedure in current law by which an operator may appeal when a community school notifies it of its intent to terminate or not renew the operator's contract. This may give the school more flexibility in determining how to operate the school and negotiate any contracts with operators. The bill also prohibits community school operators from leasing real property to the community school for an amount exceeding 5% above the fair market rental value and requires sponsors to verify the leasing agreement.

Community school preschool programs

The bill permits certain high-performing community schools with "exemplary" sponsors to be licensed by ODE to operate a preschool program. Schools operating a preschool program licensed by ODE must comply with the same licensing and operational standards that apply to other types of preschool programs. The bill authorizes community schools with preschool programs to apply for early childhood education funding. The As Introduced version of H.B. 64 proposes \$60.3 million in FY 2016 and \$70.3 million in FY 2017 for early childhood education.

Additional provisions affecting school sponsors

The bill prohibits sponsors from selling goods or services to any community school they sponsor, with the exception of services or goods under contracts existing prior to the bill's effective date. This provision may decrease revenues for certain sponsors that provide goods and services to schools. Sponsors of Internet or computer-based community schools are required to monitor and ensure compliance with online learning standards and report any failure to comply with these standards to ODE. Currently, there are 24 Internet or computer-based schools sponsored by 19 school districts, educational service centers (ESCs), and other entities. The bill's

requirement creates a minimal additional administrative burden for the school sponsors.

Community school sponsors with exemplary ratings, under the bill, may take advantage of certain incentives, which may result in some administrative cost savings. These incentives include: (1) contract extension (between the sponsor and governing authority), (2) exemption from preliminary agreement and execution deadline requirements, and (3) exemption from the automatic contract expiration requirement.

Additional ODE requirements

The bill requires that the State Board of Education make two recommendations to the General Assembly and Governor regarding community schools in which a majority of enrolled students are children with disabilities who receive special education and related services. The recommendations pertain to school performance standards and the feasibility of removal of the exemption from permanent closure. The recommendations, due by December 31, 2015, create a minimal administrative burden for ODE.

The bill requires that, by July 1, 2016, ODE develop an annual performance report for all operators of community schools in the state. ODE must also, beginning December 31, 2015, maintain records and information regarding all community school operators and post each operator contract on its website.

The bill permits ODE to establish a guide and deadlines for application for direct authorization of community schools. The State Board is also permitted to adopt rules for additional criteria necessary for ODE to approve a direct authorization application. If the State Board adopts such rules, automatic approval of direct authorization applications ceases to apply on or after July 1, 2016. These provisions create a minimal administrative burden for ODE, but may lead to fewer schools receiving direct authorization, which will decrease ODE's expenditures.