



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 481 of the 131st G.A.

Date: May 11, 2016

Status: As Reported by House Education

Sponsor: Reps. Thompson and Koehler

Local Impact Statement Procedure Required: No

Contents: Student enrollment and scholarship program eligibility for the 2016-2017 school year for students that opted out of state assessments; Educational Choice Scholarship Program eligibility

State Fiscal Highlights

- The bill enables a student who did not take an elementary or high school achievement assessment that was administered during the 2015-2016 school year to be included in a district or school's enrollment calculation in the 2016-2017 school year. Because the state's school funding formula is based on student enrollment, this provision may increase state aid expenditures in FY 2017.

Local Fiscal Highlights

- The bill enables a student who does not take an elementary or high school achievement assessment that was administered during the 2015-2016 school year to be included in a district or school's enrollment calculation in the 2016-2017 school year. Because the state's school funding formula is based on student enrollment, this provision may increase state aid for some districts as well as the amounts transferred to some community and STEM schools in FY 2017.
- The bill enables a student attending a chartered nonpublic school under a state scholarship program who did not take an elementary or high school achievement assessment in the 2015-2016 school year to remain eligible for the scholarship, provided the student satisfies all other conditions of the scholarship program. As a result, deductions of school district state aid to finance scholarships may be higher than otherwise in FY 2017.
- The bill removes Educational Choice (EdChoice) Scholarship Program building determinations from current law "safe harbor" provisions. Due to more rigorous state tests that began to be administered in the 2014-2015 school year, more students may qualify for traditional EdChoice scholarships beginning in the 2016-2017 school year as a result of the bill. If so, deductions of school district state aid will increase to fund the scholarships. Districts may also experience a decrease in expenditures due to educating fewer students.

Detailed Fiscal Analysis

Enrollment testing requirements for public school students

Under the state's school funding formula, state aid to school districts, community schools, and STEM schools is based on student enrollment. Continuing law, temporarily suspended for the 2014-2015 school year, prohibits including a student who was enrolled in the district or school during the previous school year and who did not take one or more of the state-required elementary and high school achievement assessments in a district or school's enrollment used for state operating funding.¹ The bill extends the suspension through the 2015-2016 school year.

The provision will ensure that a district or school retains per-pupil funding in the 2016-2017 school year for a student who does not take the required state assessments. Its effect may be to increase the state aid paid by the state to school districts in FY 2017 and the amounts transferred on behalf of students educated in community and STEM schools.²

Testing requirements for state scholarship students

Continuing law, suspended for the 2014-2015 school year, requires students attending a chartered nonpublic school under a state scholarship program³ to take the state elementary and high school achievement assessments. A student who does not take an assessment is considered ineligible to receive a scholarship. The bill extends the suspension through the 2015-2016 school year so that a student who did not take an elementary or high school achievement assessment administered during the 2015-2016 school year may continue to receive or be eligible for a scholarship, provided the student satisfies all other conditions of the scholarship program.

In most cases, scholarships are financed by deductions to the state aid of scholarship recipients' districts of residence. However, the Cleveland Scholarship Program is financed by both deductions and direct state payments and income-based Educational Choice (EdChoice) scholarships are financed solely by direct state payments. As a result of the bill, deductions of school district state aid and direct state payments may be higher than otherwise in FY 2017. The number of scholarships funded through direct state payments is limited to the amounts appropriated for that purpose.

¹ Special education and limited English proficient students are excused from this prohibition.

² A 95% participation rate on state assessments is still required for a district or school to maintain compliance with federal education law. States not meeting this threshold must develop a plan to address the issue and could be subject to various state or federal enforcement actions.

³ The state's scholarship programs are the Educational Choice (EdChoice) Scholarship Program, Pilot Project (Cleveland) Scholarship Program, Autism Scholarship Program, and the Jon Peterson Special Needs Scholarship Program.

EdChoice scholarship eligibility

Under current law, provisions prescribing new buildings where students are eligible for the traditional EdChoice Scholarship Program are among those subject to "safe harbor" provisions that prohibit school report card ratings for the 2014-2015, 2015-2016, and 2016-2017 school years from determining whether a school district or school is subject to certain sanctions or penalties. As a result, no new public schools will be added to the EdChoice Scholarship Program until the 2019-2020 school year under current law.⁴ The bill removes EdChoice Scholarship Program building determinations from safe harbor and requires the Ohio Department of Education to update the list of buildings where students are eligible for EdChoice scholarships not later than 30 days after the bill's effective date. Due to more rigorous state tests that began to be administered in the 2014-2015 school year, the bill's provision may result in an increase in the number of students that qualify for traditional EdChoice scholarships beginning in the 2016-2017 school year.

Under continuing law, traditional EdChoice Scholarship Program students are counted in their resident districts' ADM for funding purposes. Funding for the student, however, is deducted from the district's calculated state funding allocation and transferred to the educating nonpublic school. In FY 2017 and subsequent years, the maximum EdChoice scholarship amount is \$4,650 for grades K-8 and \$6,000 for grades 9-12. If more students qualify under the program criteria, deductions from qualifying school districts will increase. Districts may also experience a decrease in expenditures due to educating fewer students. In FY 2016, an estimated total of \$87.7 million will be deducted from the state funding allocations of 44 school districts to fund EdChoice scholarships.

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⁴ For the students of a building to be eligible for traditional EdChoice scholarships, the building must have met certain academic performance criteria for two of the three most recent report cards published prior to July 1 of the school year for which a scholarship is sought.