



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 87 of the 132nd G.A.

**Status:** As Reported by Senate Education

**Sponsor:** Rep. Roegner

**Local Impact Statement Procedure Required:** No

**Subject:** Money returned to state from community school enrollment audit and community school provisions

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### State & Local Fiscal Highlights

- The Ohio Department of Education (ODE) may incur additional administrative costs to establish standards for learning management software for e-schools.
- The bill may increase revenue for certain school districts by requiring ODE to credit the money returned to the state to the school district from which the money was originally deducted in the event of a finding for recovery issued by the Auditor of State as a result of a community school enrollment audit.
- The bill clarifies that a substitute levy may be placed on the ballot through the last year that an emergency levy is collected.

### Detailed Fiscal Analysis

#### Standards for e-school learning management software

The bill requires the Superintendent of Public Instruction to establish standards for learning management software for Internet- or computer-based community schools (e-schools). The Ohio Department of Education (ODE) may incur some additional costs to develop the standards.

#### Money returned to the state from community school enrollment audit

Certain school districts may receive an increase in revenue under the bill. In the event of a finding for recovery issued by the Auditor of State as a result of a community school enrollment audit conducted by the Auditor, the bill specifies that ODE must credit the money returned to the state to the school district from which the money was originally deducted (community schools are paid through a deduction of state foundation funding from the school districts in which the school's students reside).

Any fiscal effect will depend on the amount of any future findings that are paid to the state and how ODE would have distributed the money otherwise. A finding for recovery that results from a community school enrollment audit conducted by the Auditor would be rare. According the Auditor of State's Office, all available records of

findings for recovery issued against a community school related to enrollment are in connection to enrollment reviews that had already been conducted by ODE.

### **Time period within which school district substitute levies may be placed on the ballot**

The bill clarifies that when an emergency levy is set to expire, a substitute levy can be put on the ballot at an election held in the emergency levy's last year or at an election held in the following year. In this context, "last year" means the last year the tax is levied (i.e., the last year it is "extended on the tax list"), as distinct from the last year the money is collected from the emergency levy. Property taxes are collected one year in arrears from the year when the tax is extended on the tax list.

For example, suppose a ten-year emergency levy is set to expire at the end of 2018 – i.e., the last year it will be extended on the tax list is tax year 2018. When the tax bills for tax year 2018 are issued, they will include the taxes charged for the last year of this levy, and property owners will have to pay the tax in January and June of 2019 – i.e., 2019 is the "year of collection."

The way the law is apparently being applied currently, a school board must put the question of the substitute levy on the ballot at an election occurring in 2018 or earlier; in other words, the board cannot wait until a 2019 election. The bill makes it clear that a school board may put the question on the ballot in 2019 (or earlier, as currently). This change would make the timing for putting substitute levies on the ballot the same as the timing for putting most other types of levies on the ballot, and has no fiscal effect other than the timing of placing such levies on the ballot.

A substitute levy is a particular kind of school district levy that may be used to supplant an existing emergency levy, usually when the emergency levy is about to expire. Emergency levies have a maximum life of ten years. The distinguishing characteristic of an emergency levy is that it raises precisely the same dollar amount of revenue each year, in contrast to most other levies the revenues from which can fluctuate according to property values – albeit within H.B. 920 revenue limitations. A feature of a substitute levy is that, unlike an emergency levy, the revenue is not a fixed annual dollar amount but increases in proportion to new construction as buildings are built or added to. This makes substitute levies very similar to traditional levies in the sense that the revenue grows in response to new construction.<sup>1</sup>

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<sup>1</sup> But, unlike traditional levies, substitute levies are not counted toward the 20-mill floor (which is the minimum level to which the H.B. 920 tax reduction factors can reduce a school district's effective millage). Another difference between substitute and traditional levies is in the distribution of the taxes among classes of properties (Class I and II) over the life of the levy: with traditional levies, the taxes charged (and the effective tax rate) for Class I are totally insulated from changes in Class II property values and vice versa. This is not the case for substitute levies.

## **Safe harbor related to e-school closure**

The bill amends S.B. 216 of the 132nd General Assembly, which limits circumstances in which a school district or community school may be subject to sanctions as a result of enrolling students that had been enrolled any time during the 2017-2018 school year in an Internet- or computer-based community school (e-school) that had its operations suspended by the school's sponsor. Specifically, S.B. 216:

- Excludes any displaced e-school student from the calculation of the academic performance component of a community school sponsor evaluation ratings for the 2017-2018 and 2018-2019 school years.
- Exempts a community school from being subject to closure for the 2017-2018, 2018-2019, and 2019-2020 school years if the number of displaced e-school students caused enrollment to increase by more than 10% in the 2017-2018 school year.
- Exempts a school district from being considered a new challenged school district for the 2018-2019 and 2019-2020 school years if the number of displaced e-school students caused enrollment to increase by more than 10% in the 2017-2018 school year.

For both community schools and school district enrollments, the bill increases the percentage of displaced e-school students to 20 and clarifies that if a community school would be subject to closure based on performance with the scores of the displaced e-school students omitted from calculations, the community school must still be subject to closure if it satisfies current law conditions.

## **Reduction in payments to e-school**

Current law requires the Superintendent of Public Instruction jointly with the Auditor of State to develop policies under which ODE must reduce the payment amounts to any e-school that includes in its program the provision of computer hardware and software to students, if the hardware and software materials have not been timely delivered, installed, or activated. The bill specifies instead that the Auditor may only consult with the Superintendent on adoption of the payment reduction policies and not to jointly adopt them, which may result in a decrease in administrative costs.

## **School district five-year forecasts**

The bill prohibits ODE and the Auditor of State, in the rules they jointly adopt concerning a school district's submission of its required five-year forecast, from requiring the district to submit the forecast before November 30 of any fiscal year. The current rules adopted by ODE and the Auditor require submission by October 31, so this provision will result in some presumably minor administrative adjustments.

## **Local government joint health and medical insurance programs**

The bill would allow political subdivisions, including county boards of developmental disabilities, that provide health care benefits to their officers and employees to enter an agreement with other political subdivisions to procure or contract for providers of medical or health services. Current law unchanged by the bill allows political subdivisions to join together to establish a joint self-insurance program to provide health care benefits. The bill's provision is a clarification of existing law to accurately reflect traditional actions taken by self-insurance programs.