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H.B. 583
(with AM3237-3 and AM3296)
134th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 583's Bill Analysis

Version: In Senate Primary and Secondary Education

Primary Sponsors: Reps. Bird and Jones

Local Impact Statement Procedure Required: No

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Highlights

School funding

- The bill's changes to the H.B. 110 school funding formula decrease state foundation aid for traditional districts by $35.5 million in FY 2022 and $11.7 million in FY 2023 compared to current law. State foundation aid for community and science, technology, engineering, and mathematics (STEM) schools decreases by $1.0 million in FY 2022 and $118,000 in FY 2023. These decreases are mainly due to a provision specifying that FY 2020 statewide average transportation costs per rider and per mile be used in the transportation formula instead of the prior year's costs. This change conforms the law to the Ohio Department of Education's (ODE) current practice for FY 2022. FY 2021 costs appear to be unusually high due to a decrease in ridership as a result of the pandemic.
- The bill increases GRF payments to districts and schools provided outside foundation aid, including for special education transportation ($5.1 million in FY 2022 and $5.3 million in FY 2023), preschool special education ($1.0 million in FY 2022 and $564,000 in FY 2023), and county developmental disabilities boards for school-age children ($650,000 in FY 2022 and $324,000 in FY 2023). Existing appropriations for these purposes are sufficient to absorb the increased payments.
- The bill may increase lottery profits-backed Quality Community Schools Support payments in FY 2023 and subsequent years by specifying that a community school first designated for the program for FY 2020 maintains that designation for FY 2023 and may renew it, which provides continued eligibility for schools that otherwise may lose their designation. However, the total amount paid is limited to the program's appropriation.

- Other provisions increase state expenditures to address specific situations at certain community schools and chartered nonpublic schools regarding state foundation aid and EdChoice scholarship payments, respectively.

Substitute teachers

- The bill provides school districts and other public schools with more flexibility in hiring substitute teachers through FY 2024 by extending by two years temporary authority for an individual to obtain a substitute teacher license without a bachelor's degree under certain conditions. A greater pool of substitute teachers may decrease costs for some districts and schools that are dealing with a shortage in this area, as the costs of paying a substitute teacher may be lower than supplemental amounts paid to contract teachers to provide coverage. Any additional administrative costs to process additional license applications and background checks will be more or less offset by gains in fee revenue.

Dyslexia screen requirement delay

- The bill's one-year delay to the start of dyslexia screening requirements provides districts and schools with additional flexibility to implement the screening process. It may also defer potential increases in district and school expenditures to administer screening assessments and provide intervention services to students exhibiting signs of dyslexia and delay potential increases in state special education funding if the screenings lead to additional students diagnosed with learning disabilities.

Community school sponsor rating safe harbor

- The bill's extension of "safe harbor" provisions to 2021-2022 school year community school sponsor ratings may prevent some sponsors from becoming subject to certain sanctions or penalties and others from newly taking advantage of certain incentives.

Detailed Analysis

The bill makes changes to a variety of education laws, including to school funding, substitute teaching licenses, dyslexia screening requirements, and community school sponsor ratings. Provisions with notable fiscal effects are discussed below.

School funding

State foundation aid formula changes

Summary

The bill makes various changes to the state foundation aid formula. Many provisions are technical or clarifying in nature. Others, some of which can be described as corrective, substantively affect the school funding formula and may result in changes to a district or school's funding levels for FY 2022 and FY 2023 compared to current law. These changes include (1) alterations to the data used for transportation funding purposes, (2) removing excess cost adjustments from certain funding bases, (3) moving supplemental targeted assistance "outside" the calculation of temporary transitional aid, (4) adjusting the calculation of the state share percentage, and (5) adding an "enrollment credit" for traditional districts whose students open-enroll into the district and then attend a joint vocational school district (JVSD). The table below summarizes the marginal change in funding levels for FY 2022 and FY 2023, before and after the formula's phase-in and guarantees are accounted for, compared to current law by school type. JVSDs, whose funding is projected to change by a very small amount in each fiscal year, are excluded from the table.

Note that this analysis estimates the effect of the formula changes relative to current law. However, the Ohio Department of Education (ODE) has partially or fully implemented a number of the bill's provisions in district and school payments for FY 2022, particularly with respect to transportation aid. In these cases, the bill's changes align the law with current ODE practice.

Estimated Marginal Change in State Foundation Aid (in millions) by Formula Component and School Type, H.B. 583, FY 2022-FY 2023			
Formula Component	**Traditional Districts**	**Community and STEM Schools**	**Total**
Calculated Core Foundation Aid – FY 2022	$30.3	$0.1	$30.4
Effect of Phase-in – FY 2022	-$25.3	-$0.1	-$25.4
Temporary Transitional Aid – FY 2022	$5.5	$0.0	$5.5
Transportation Aid – FY 2022	-$38.5	-$1.4	-$40.0
Formula Transition Supplement – FY 2022	-$7.5	$0.4	-$7.1
Total – FY 2022	**-$35.5**	**-$1.0**	**-$36.5**
Calculated Core Foundation Aid – FY 2023	$20.1	$0.1	$20.2
Effect of Phase-in – FY 2023	-$13.4	$0.0	-$13.5
Temporary Transitional Aid – FY 2023	$4.5	$0.0	$4.5
Transportation Aid – FY 2023	-$16.4	-$0.2	-$16.6
Formula Transition Supplement – FY 2023	-$6.5	$0.0	-$6.5
Total – FY 2023	**-$11.7**	**-$0.1**	**-$11.8**

As the above table shows, the bill increases the calculated amount of core foundation aid in both years, by $30.4 million in FY 2022 and $20.2 million in FY 2023. However, the formula's phase-in mechanism limits the increases to $5.1 million in FY 2022 and $6.7 million in FY 2023. The temporary transitional aid guarantee increases in each fiscal year, mainly due to the provision moving supplemental targeted assistance outside this guarantee. Transportation aid decreases by $40.0 million in FY 2022 and $16.6 million in FY 2023, which are driving the overall results. Changes in core foundation and transportation aid interact with the bill's removal of excess costs from the formula transition supplement funding base to, on a statewide basis, decrease aid received through the supplement. In total, the bill's changes decrease state foundation aid for traditional school districts by $35.5 million (0.5%) in FY 2022 and $11.7 million

(0.2%) in FY 2023 compared to current law. State foundation aid for community schools decreases by $1.0 million (0.1%) in FY 2022 and $118,000 (0.0%) in FY 2023. Effects on individual districts and schools vary. Additional details regarding the bill's changes are provided below.

Transportation aid

Under current law, base transportation funding is calculated using a formula that looks at two statewide cost measures from the prior fiscal year: the average cost per pupil transported and the average cost per mile. The state averages are multiplied by the number of students transported and the number of miles driven in the current year for each district. The greater of these two amounts is then multiplied by the greater of the district's state share percentage or the minimum transportation state share, which is 29.17% in FY 2022 and 33.33% in FY 2023.

The bill requires that, in FY 2022 and FY 2023, the statewide average costs per rider and per mile be based on data from FY 2020, rather than on data for the prior year. This decreases transportation funding substantially compared to current law. To illustrate, the statewide average costs per rider and per mile for FY 2021, which is what ODE would use in the formula for FY 2022 under current law, are $1,643 and $5.45, respectively. In contrast, the respective average costs for FY 2020 were $1,058 and $5.15. The average costs for FY 2021 are unusually high primarily due to large declines in school bus ridership reported by school districts for the first week of October (the time period used for funding purposes) resulting from the pandemic. Under current law, transportation funding far surpasses the amount appropriated in FY 2022 for transportation formula payments in GRF line item 200502, Pupil Transportation. ODE would prorate transportation payments to fit the appropriation. We project the averages for FY 2022, for use in FY 2023, to be much closer to the FY 2020 averages, as ridership in particular has rebounded to a large degree.

Excess cost in funding bases

Under current law, the excess cost charged by an educating school district to a resident school district for services provided to open enrollment students with disabilities is included in a school district's FY 2020 funding base for purposes of calculating the foundation aid formula's phase-in and temporary transitional aid. Such costs are also included in a school district's FY 2021 funding base for purposes of calculating the formula transition supplement. The bill removes excess cost adjustments from the calculation of the FY 2020 funding base in FY 2023 and from the FY 2021 funding base in FY 2022 and FY 2023. Historically, excess cost adjustments have not been considered a part of the foundation formula. According to ODE, the charges occur nine months after the end of the fiscal year.

Removing the adjustments increases the base for districts that have net losses on excess cost for open enrollment students and reduces them for districts that have net gains. A larger base means a larger phased-in funding amount and a larger guaranteed level under temporary transitional aid and the formula transition supplement and vice versa. The very large urban districts tend to benefit from this change while other district types tend to receive less funding.

Supplemental targeted assistance

Supplemental targeted assistance provides per-pupil funding on a sliding scale to help districts most adversely affected by the transition from the prior law method of calculating student enrollment based on the number of students residing in the district, even if educated outside district schools, to the current method of counting students in the district or school in which a student is educated. Urban districts in particular tend to have relatively large shares of resident students educated outside the district, which, when removed from the district's student count for funding purposes, makes those districts look wealthier to the formula and, thus, may lead to reduced state funding. Under current law, supplemental targeted assistance is inadvertently included in a district's current year funding that is compared to its funding base when calculating the temporary transitional aid guarantee. The bill, essentially, moves supplemental targeted assistance "outside" this guarantee calculation to conform to the intent behind the formula.

State share percentage

The state share percentage is used in the calculation of various categorical components and additional aid items outside the foundation formula. Under current law, a district's state share percentage is calculated as its aggregate state share of the base cost divided by the district's total base cost. Notably, the formula calculates the aggregate state share using current year enrolled average daily membership (ADM) while the base cost is calculated using "base cost enrolled ADM," which equals the greater of (a) the average of the three prior years enrolled ADM or (b) the prior year enrolled ADM. Base cost enrolled ADM is greater than current year enrolled ADM for districts whose enrollment is decreasing. In general, the bill calculates the state share percentage as a ratio of a district's per-pupil state share of the base cost and its per-pupil base cost, with a minimum state share percentage of 5%. The formula calculates both per-pupil amounts using base cost enrolled ADM, which increases the state share percentage for most school districts. Most of the increase in calculated core foundation aid in the table above stems from this provision.

JVSD open enrollment student credit

The bill requires ODE to add to the enrolled ADM of each traditional school district a number equal to 20% of the students who open enroll into the district and then enroll in a JVSD or under a career-technical education compact. A similar credit had been included in open enrollment transfers under the former school funding system. However, the school funding formula enacted in H.B. 110 omitted it. In FY 2022, this change increases statewide base cost enrolled ADM by about 670 students and current year enrolled ADM by about 725 students.

Additional funding outside the foundation aid formula

Special education transportation

In addition to funding a portion of regular pupil transportation, the state provides funds outside of the main foundation aid formula to school districts, county developmental disabilities (DD) boards, and educational service centers (ESCs) to assist them in providing required transportation services to students with disabilities whom it is impossible or impractical to transport by regular school bus. The bill modifies the special education transportation formula for county DD boards and ESCs. Under current law, the formula for these payments is determined through rules adopted by the State Board of Education. The bill statutorily requires the payments for these entities to be in an amount equal to their actual costs incurred transporting students with disabilities in the prior fiscal year multiplied by 29.17% for FY 2022 and 33.33% for FY 2023. This formula is nearly the same as the one used to calculate special education transportation funding for traditional districts.

This provision increases special education transportation funding by $2.9 million in FY 2022 and $4.3 million in FY 2023. Traditional districts also see some increases in special education transportation funding due to changes in the state share percentage, amounting to $2.2 million in FY 2022 and $1.0 million in FY 2023. Special education transportation payments are funded by the GRF through an earmark of line item 200502, Pupil Transportation. The earmarked amount under current law is sufficient to fund the increased payments under the bill without an appropriation increase.

Payments for preschool special education and school-age county DD boards' students

Also outside of the main foundation aid formula, the state provides funding to school districts for the special education and related services they provide to preschool-aged (ages three through five) children with disabilities and to county DD boards for school-age educational services. The formulas for these payments both rely, in part, on the state share percentage. The bill's changes to the state share percentage increase preschool special education funding by $1.0 million in FY 2022 and $564,000 in FY 2023 while payments to county DD boards increase by $650,000 in FY 2022 and $324,000 in FY 2023. These payments are funded by the GRF through earmarks of line item 200540, Special Education Enhancements. The earmarked amounts under current law are sufficient to fund the increased payments under the bill without an appropriation increase.

Other funding-related provisions

Quality Community School Support Program

The Quality Community School Support (QCSS) Program provides funds to community schools that meet certain measures of quality with respect to report card grades, sponsor ratings, and other factors. A designated school receives per-pupil funding, supported by lottery profits, of $1,750 for students who are identified as economically disadvantaged and $1,000 for all other students. A school maintains its designation for the two fiscal years following the fiscal year in which the school was initially designated.

The bill expands eligibility for QCSS payments by specifying that a school that first qualified for the program for the 2019-2020 school year (FY 2020) maintains that designation for the 2022-2023 school year (FY 2023) and may renew its designation for following school years. As a result, state spending may increase for the program, as the bill maintains eligibility for schools that otherwise may lose their designation. However, the total amount awarded is limited to the program's appropriation. In each of FY 2022 and FY 2023, H.B. 110 appropriates $54 million for the program. In FY 2022, payments are prorated to 94.3% of the calculated amount to fit within the appropriation.

State funding for certain community schools

In general, S.B. 229 of the 134th General Assembly permits, for the 2021-2022 school year only, school districts and other public schools to continue to provide instruction using the district or school's remote learning plan submitted for the 2020-2021 school year under H.B. 164 of the 133rd General Assembly under certain conditions. This means that a community or STEM school must have been open in the 2020-2021 school year to qualify for this option. The bill addresses a situation in which two community schools that opened for the first time for the 2021-2022 school year, Buckeye Community School at London and Buckeye Community School at Marion, operated under a remote learning plan used by a school with the same sponsor. These schools are ineligible for state funding based on recent ODE enrollment reviews that indicated the schools did not perform the required documentation of learning opportunities.

The bill authorizes state funding for these schools by specifying that a community school is considered to have met the requirements to receive state funding for FY 2022 if it (1) opened for the first time in the 2021-2022 school year, (2) has the same sponsor as another community school that was open during the 2020-2021 and 2021-2022 school years that used a remote learning plan for both years, and (3) implemented the same model during the 2021-2022 school year as the other school that was open during the 2020-2021 and 2021-2022 school years. State expenditures will increase as a result of this provision. As a practical matter, ODE has been making state funding payments to the two schools so far this fiscal year. As of the May 2022 payment, Buckeye Community School at London is slated to receive about $691,000 in state foundation aid for FY 2022, and Buckeye Community School at Marion is slated to receive $2.1 million.

EdChoice corrective payments

The bill permits a chartered nonpublic school participating in the EdChoice Scholarship Program, for up to 90 days after the bill's effective date, to request that ODE review scholarship payments for students attending the school in the 2020-2021 school year and determine whether there was a payment error for any such student based on the student's attendance. If ODE finds that payments were less than they should have been, the bill requires that ODE make corrective payments to the chartered nonpublic schools for the underpaid amount. The provision addresses a situation in which a chartered nonpublic school's staffing vacancy during the pandemic led to reduced or unfunded scholarship awards for some students for the 2020-2021 school year because certain clerical requirements were not completed. The one-time estimated cost of this corrective payment for the school suspected to have been underpaid is $277,000, and will likely be paid out in FY 2023.

Transportation collaboration grants

The bill reappropriates the unused balance of a $250,000 earmark from GRF line item 200502, Pupil Transportation, supporting transportation collaboration grants, at the end of FY 2022, for the same purpose for FY 2023. It also permits ODE to allow transportation collaboration grant recipients to carry over funds for expenses incurred in the fiscal year following the year the grant award was made.

Catastrophic cost reimbursement set-aside

Current law generally requires that 10% of a district or school's special education funding be set aside into a pool for catastrophic costs for special education students. However, it calculates the set-aside as equal to 10% of the overall special education amount that a traditional district or JVSD receives in special education funding before application of the phase-in. In contrast, current law calculates the set-aside as equal to 10% of the amount actually paid to community schools and STEM schools after application of the phase-in. The bill requires ODE to withhold 10% of the special education funding provided to traditional districts and JVSDs, after application of the phase-in. This provision puts the district formula for withholding on par with community and STEM schools and reduces the amount withheld for catastrophic costs compared to current law.

School district payments in lieu of transportation

Under continuing law, a traditional school district may determine that it is impractical to transport a student who is eligible for transportation to and from a school and may offer the student's parent or guardian a payment in lieu of transportation. Current law requires the payments to be at least 50% of and not more than the amount determined by ODE as the average cost of pupil transportation for the previous school year. School districts make these payments without state reimbursement. The bill requires that, in FY 2022 and FY 2023, the statewide average cost per rider used to calculate payment in lieu of transportation payments be based on FY 2020 data. Given the lower statewide averages in FY 2020, this provision will decrease school district expenditures for the payments compared to current law.

Substitute teaching licenses

Overview

Generally, educator licenses, permits, or certificates issued by the State Board of Education for teaching grades K-12, including serving as a substitute teacher, require at least a bachelor's degree. However, temporary law enacted in S.B. 1 of the 134th General Assembly permits the employment and temporary licensure of substitute teachers who do not hold postsecondary degrees for the 2021-2022 school year. The bill amends S.B. 1 to extend this authority by two years, through the 2023-2024 school year (FY 2024).

Fiscal effects

School districts and other public schools

The bill's less stringent criteria to obtain a substitute teaching license provides school districts and other public schools with more flexibility in hiring substitute teachers through FY 2024, temporarily increasing the pool of available substitute teachers. Additional substitute teachers may lead to a decrease in school district expenditures while the provisions are in effect. Some districts and schools may be addressing shortages of substitute teachers by assigning contract teachers to use their planning periods to cover classes in which a substitute teacher is not available. Contract teachers generally are paid supplemental amounts for each of these "substitute periods." The supplemental amounts appear to hover around $25 per period based on a limited review of a number of school district collective bargaining agreements across a range of different district types. Considering a typical school day may consist of around eight periods more or less, this might equate to about $200 per day. A substitute teacher, by contrast, earns an average of $105 per full day.[1]

Ohio Department of Education

The bill may lead to an increase in ODE administrative costs to process additional license applications. ODE may also pay more in fees for the Retained Applicant Fingerprint Database (RAPBACK) continuous criminal record monitoring service if additional individuals become

[1] National Substitute Teachers Alliance, "Frequently Asked Questions," which is available on the Alliance's website: nstasubs.org.

enrolled.[2] However, any additional cost will be more or less offset by a gain in license fee revenue paid by applicants. A one-year substitute teacher license carries a fee of $25. Educator licensure fees are deposited into the State Board of Education Licensure Fund (Fund 4L20). These fees cover the costs of processing licensure applications (including RAPBACK fees), providing technical assistance related to licensure, and administering the educator disciplinary process, among other functions. As a point of reference, ODE has issued 5,381 active temporary substitute teaching licenses statewide in FY 2022 under the authority granted by S.B. 1, as of May 17, 2022.

Background checks

An applicant for a license under the bill will need to have current state and federal background checks on file with ODE. According to ODE, the checks can be no older than one year at the time ODE issues the credential. Background checks filed with ODE are valid for five years. The bill may temporarily affect the workload of the Attorney General's BCI if the number of background checks requested each year increases as a result of the bill. Any associated increase in BCI's annual operating expenses will be more or less offset by the fees charged to conduct a check. BCI performs state-only background checks by comparing an individual's fingerprints against a database of criminal fingerprints to determine if there is a criminal record. BCI also administers federal background checks through the Federal Bureau of Investigation (FBI), which uses a national database to search for criminal history records. The base fees of the state-only and FBI background checks are $22 and $25.25, respectively. All of the fees are credited to the General Reimbursement Fund (Fund 1060),[3] with $23.25 of the FBI background check fee subsequently disbursed to the FBI.

Substitute teacher shortage study committee

The bill establishes the Substitute Teacher Shortages Study Committee to address the shortage of substitute teachers, examine the temporary substitute teacher licensing provisions found in H.B. 409 of the 133rd General Assembly and S.B. 1 of the 134th General Assembly, and consider permanent action to alleviate some of the causes of the shortage. This committee, consisting of three members of the House of Representatives and three members of the Senate, must produce a report of its findings by December 31, 2022. State administrative costs may increase to support the committee.

Dyslexia screening requirement delay

H.B. 436 of the 133rd General Assembly established a comprehensive set of requirements for school districts and other public schools to improve the identification of and interventions for students with dyslexia. One of the key facets of the law is a requirement for districts and schools to administer dyslexia screenings to students. Under current law, districts and schools are required to conduct these screenings for all students in grades K-3 and, by request of a student's

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[2] RAPBACK provides participating entities notice that an individual they have enrolled in the database has been arrested or convicted of a criminal offense. The Attorney General's (AGO) Bureau of Criminal Investigation charges participating agencies an initial fee for each individual entered in RAPBACK and an ongoing annual fee per individual, both of which are $5. ODE pays the fees from Fund 4L20. Upon receipt, AGO deposits RAPBACK fees into the General Reimbursement Fund (Fund 1060).

[3] The Attorney General uses the money credited to Fund 1060 to pay for operating expenses incurred in the provision of law enforcement services, legal representation, and overall office administration.

parent or teacher, students in grades 4-6 in the 2022-2023 school year, and for all kindergarten students and, by request, students in grades 1-6 each year thereafter. The bill delays the start of the screening requirements by one year, to the 2023-2024 school year, but permits districts and schools to conduct these screenings before they are required.

These changes provide districts and schools with additional flexibility to implement the screening process. They also defer potential increases in district and school expenditures to administer the assessments and provide intervention services to students exhibiting signs of dyslexia. The bill may also delay a potential increase in special education funding provided through the state foundation formula if identifying additional students as at risk for dyslexia leads to an increase in the number of students receiving special education services for a learning disability. The International Dyslexia Association estimates that as much as 20% of the general population may have symptoms of dyslexia.

Community school sponsor ratings – safe harbor

The amendment creates a safe harbor period from community school sponsor penalties and sanctions based on ratings for the 2021-2022 school year, extending similar provisions enacted for the ratings for the 2019-2020 and 2020-2021 school years. Instead, ratings from previous (nonsafe harbor) and subsequent years will be considered. This may prevent some sponsors, which include school districts, ESCs, and other nonprofit organizations, who would otherwise have received ratings of “ineffective” or “poor” for the 2021-2022 school year from becoming subject to certain sanctions or penalties. For example, sponsors rated “ineffective” are prohibited from sponsoring new or additional schools and are subject to a quality improvement plan. Sponsorship authority is revoked, subject to an available appeals process, for sponsors that receive a “poor” rating or three consecutive “ineffective” ratings. Since no schools will lose sponsorship authority due to ratings for the 2021-2022 school year, the administrative costs of ODE’s Office of School Sponsorship may decrease. The Office of School Sponsorship is authorized to take over sponsorship for a school having a sponsor rated as “poor” or “ineffective” for three consecutive years until the school finds a new sponsor. The Office’s operations are financed by a sponsorship fee of up to 3% of each sponsored school’s operating revenue.

On the other hand, some sponsors may not be able to newly take advantage of certain incentives for “effective” or “exemplary” ratings. For example, entities with an overall rating of “exemplary” or “effective” for at least three consecutive years are evaluated by ODE once every three years, instead of annually. Entities with an overall rating of “exemplary” for at least two consecutive years may sponsor an unlimited number of schools with no territorial restrictions and also receive exemptions from certain requirements on contracts with ODE and the sponsored schools.

Work-based learning tax credit administration

S.B. 166 of the 134th General Assembly created an income tax credit for employers that provide work-based learning experiences for career-technical education students. In order to receive a credit, employers must apply for a tax credit certificate from ODE. To issue the certificate, ODE must be able to verify that the student claimed by the employer meets the requirements for the tax credit. However, continuing law generally prohibits ODE from having access to a student’s name, address, Social Security number, and other personally identifying information. ODE contracts with a vendor that assigns a data verification code, also called the statewide student identifier (SSID), to each public school student to protect student privacy. The bill facilitates the administration of the tax credit by allowing ODE to obtain the data verification code for the students included on a tax credit certificate application so that it may verify the students' information and issue the tax credit certificates.