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# OHIO LEGISLATIVE SERVICE COMMISSION

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S.B. 168  
(1\_135\_2684-3)  
135<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for S.B. 168's Bill Analysis](#)

**Version:** In House Primary and Secondary Education

**Primary Sponsor:** Sen. Reynolds

**Local Impact Statement Procedure Required:** No

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### Highlights

- The bill modifies the calculation of certain statewide average per-pupil amounts in the school funding formula's base cost for FY 2024 and FY 2025 to reflect the enrollment of school districts that report relevant data, rather than all school districts in the state. This change, relative to current law, increases state foundation aid to public schools by an estimated \$24 million in FY 2024 and \$29 million in FY 2025 and EdChoice and Cleveland scholarship payments by roughly several million dollars in each of those years. However, the bill's change aligns the law for the current biennium with Department of Education and Workforce's (DEW) current practice, meaning that actual state foundation aid and scholarship payments will not change.
- The bill may increase expenditures from GRF line item 200550, Foundation Funding – All Students, in the FY 2024-FY 2025 biennium by authorizing DEW to reallocate excess funds for other purposes in item 200550 to fully pay supplemental funding for dropout prevention and recovery e-schools, instead of requiring the supplemental funding to be prorated, if the amount earmarked for the payments is insufficient. Any reallocation cannot exceed item 200550's appropriation.
- The bill requires the transfer of up to \$1.5 million cash from the GRF to the High School Financial Literacy Fund, a custodial fund, during the FY 2024-FY 2025 biennium to reimburse public schools for the cost of obtaining financial literacy validations for teachers required under continuing law.
- The bill may increase expenditures for DEW and participating districts and schools beginning in FY 2025 to establish and implement the five-year School Turnaround Pilot Program for low-performing schools. The costs will depend on the number of

participating districts and schools, the scope of interventions, and implementation decisions.

- The bill may provide school districts and other public schools with a greater pool of individuals to meet staffing needs by easing the educational criteria to qualify for certain educator licenses.
- The bill may increase administrative costs paid from the State Board of Education Licensure Fund (Fund 4L20) to process any additional license applications as a result. These costs will be more or less offset by a gain in license fee revenue paid by applicants.
- The annual cost of performing the Bureau of Criminal Investigation's background check services may increase or decrease to some degree. These costs will be more or less offset by gains or losses in revenue from fees charged to conduct a background check.
- The bill permits school districts to develop and use an alternative framework for teacher evaluations. Any fiscal effects associated with this provision on school districts are permissive and will depend on district implementation decisions.
- The bill may increase staffing costs for certain districts qualifying for exemptions from certain statutory requirements by eliminating the exemption related to teacher qualifications under the third grade reading guarantee. The bill also may decrease expenditures for certain other districts that newly qualify for the exemptions under additional criteria the bill establishes.
- This bill likely results in an overall decrease in DEW's GRF-funded community school sponsor evaluation system costs for the 2024-2025 school year by prohibiting sponsor evaluations for that school year unless a sponsor elects to be evaluated but also requiring that DEW develop a new sponsor evaluation framework by March 31, 2025.
- Various other provisions may decrease administrative or other operating costs for school districts and other public schools.
- The Ohio Department of Higher Education's (ODHE) expenditures from Fund 5YZ0 line item 235592, Grow Your Own Teacher Program, may increase because more students may be eligible for scholarships under the bill's changes to the Grow Your Own Teacher (GYOT) Program. Ultimately, expenditures are limited to GYOT Program appropriations.

## **Detailed Analysis**

The bill makes changes to a variety of education laws related to school funding, school academic improvement, teacher evaluations, licensure and professional development, public hearings, state testing procedures, student transportation, community schools, community school sponsors and their evaluations, district exemptions from certain requirements, and higher education, among others. Various provisions provide districts and schools with additional flexibility to meet staffing needs, perform teacher evaluations, and carry out various operational tasks. The bill also removes various obsolete provisions from current law. Provisions with notable fiscal effects are discussed below.

## **Modification of certain school funding base cost calculations**

Current law requires the Department of Education and Workforce (DEW) to calculate certain statewide average per-pupil amounts in the school funding formula's base cost using the sum of the enrolled average daily membership (enrolled ADM) of every school district in the state. These per-pupil amounts include the academic co-curricular activity cost, supplies and academic content cost, athletic co-curricular activity cost, and building and operations cost. The bill modifies these calculations for FY 2024 and FY 2025 to reflect the total enrolled ADM of school districts that reported the applicable expenditure or other relevant data, rather than the enrolled ADM of every school district in the state.

This change reflects the methodology used by DEW in calculating payment amounts for the FY 2024-FY 2025 biennium. DEW mistakenly calculated these base cost per-pupil amounts using the total enrolled ADM of districts reporting applicable expenditure or other relevant data, as the bill specifies, rather than using the calculation in current law. Calculating payments under the methodology in the bill results in higher per-pupil amounts for each affected base cost element and a higher statewide average base cost per pupil. Relative to the per-pupil amounts under current law, the higher amounts under the bill increase state aid to traditional school districts; community and science, technology, engineering, and mathematics (STEM) schools; and joint vocational school districts (JVSDs) by an estimated \$24 million in FY 2024 and \$29 million in FY 2025. The bill also has implications for the EdChoice and Cleveland scholarship programs, whose maximum amounts are tied to the percentage change in the statewide average base cost per pupil. The maximum amounts under the bill are greater than what they would be under current law by \$24 for students in grades K-8 and \$32 for students in grades 9-12, increasing scholarship costs compared to current law by roughly several million dollars in each of FY 2024 and FY 2025.

Ultimately, the bill's changes will not affect actual state foundation aid and scholarship payments in the current biennium since the bill aligns the law with DEW's current practice. The higher per-pupil amounts used under current practice were also used in LBO budget simulations for purposes of determining state appropriation levels in H.B. 33. Therefore, the bill's changes do not require additional state foundation aid appropriations.

## **Supplemental funding for DOPR e-schools**

Continuing law provides supplemental funding for certain e-schools with a majority of students enrolled in a dropout prevention and recovery (DOPR) program through a hybrid funding model for students in grades 8-12 based on a combination of enrollment, documented learning opportunities, and credit attainment or course completion. H.B. 33 earmarks \$4.5 million in each of FY 2024 and FY 2025 to pay the supplemental funds to DOPR e-schools. The bill allows, for the FY 2024-FY 2025 biennium, the Director of DEW to reallocate excess funds for other purposes from GRF line item 200550, Foundation Funding – All Students, to fully pay the supplemental funding for DOPR e-schools, instead of requiring the Director to prorate the payments, if the amount earmarked for the payments is insufficient. The bill may result in an increase in expenditures from GRF line item 200550, but the bill prohibits the reallocation from exceeding the overall amount appropriated in item 200550.

## **GRF transfer to the High School Financial Literacy Fund**

The bill requires the Director of DEW to request the Director of Budget and Management to transfer up to \$1.5 million cash from the GRF to the High School Financial Literacy Fund during the FY 2024-FY 2025 biennium. This fund is a custodial fund separate from the State Treasury that will be used to reimburse school districts for the costs of obtaining financial literacy validations for teachers they employ. S.B. 1 of the 134<sup>th</sup> General Assembly originally authorized the remittance of unclaimed funds to the High School Financial Literacy Fund during the FY 2022-FY 2023 biennium. However, the transfer did not ultimately occur since the rules regarding the validations were not adopted until early 2024.

## **School Turnaround Pilot Program**

The bill requires DEW to establish and operate the School Turnaround Pilot Program to improve chronic low performance in school districts and community schools. The pilot program will last five years, beginning in FY 2025, and selected individual school buildings will have terms in the program ranging from three to five years. DEW may select up to 15% of the schools listed in the most recent Comprehensive Support and Improvement (CSI) Schools list, or other school buildings operated by the lowest performing school districts, as determined by DEW, to participate in the program. Schools identified as CSI schools are those that are in the lowest 5% of Title I-served schools according to the overall rating on the state report card and any public school with a four-year graduation rate at or below 67%. The most recent CSI Schools list, for 2022, has approximately 300 schools listed. This means that DEW may select up to 45 schools from this list for the pilot program, along with any selected from the lowest performing school districts. DEW must select schools from at least five of the 16 state support team regions. Participation in the program is optional for school districts and community schools.

DEW must approve one or more eligible external service providers with expertise in school improvement to form partnerships with districts, selected schools, community school sponsors, and school support teams in the area. Each school district or community school that elects to participate in the program must choose a single service provider approved by DEW to conduct a needs assessment, develop a multi-year improvement plan, and ensure the implementation of evidence-based interventions to improve academic achievement, chronic absenteeism rates, and family and community engagement. Districts, community schools, and service providers must regularly report data to DEW. DEW must conduct an annual evaluation of the program and may contract with a third party for this purpose.

These provisions may increase costs for DEW and participating districts and schools. The amount of any additional costs are uncertain, as it will depend on the number of participating districts and schools, the scope of interventions, and implementation decisions. The bill specifically permits districts and schools to use existing federal education funds (perhaps from Title I, Part A of the federal Elementary and Secondary Education Act) for the pilot program. It is unclear how DEW will fund any additional administrative costs it incurs.

## **Educator licenses and qualifications**

The bill may provide school districts and other public schools a greater pool of individuals to fill certain teaching and administrative positions, as the bill imposes less stringent education requirements than the current requirements on certain educator licenses as detailed below. The bill also codifies an existing administrative rule that permits the State Board to issue a one-year

nonrenewable out-of-state educator license to a qualified applicant. The bill may lead to an increase in the State Board of Education's administrative costs to process additional license applications. However, any additional costs will be more or less offset by a gain in license fee revenue paid by applicants. Educator license fees are deposited into the State Board of Education Licensure Fund (Fund 4L20). These fees cover the costs of processing applications, technical assistance related to licensure, administering the educator disciplinary process, as well as other operating costs of the State Board.

Specifically, the bill modifies the minimum education requirement for a senior professional educator and lead professional educator license to allow an individual who holds at least a bachelor's degree, rather than at least a master's degree as under current law, to obtain such a license. Senior and lead professional educator licenses are the third and fourth steps, respectively, in a ladder of credentials available to educators as they progress through their careers. The State Board charges a licensure fee of \$200 for these licenses, which require renewal every five years. There are approximately 840 individuals with active senior professional educator licenses and about 370 with active lead professional educator licenses as of late June 2024.

The bill also requires the State Board of Education to issue an alternative resident educator license to an individual who has a master's degree and passes an examination in the subject area to be taught. To renew an initial alternative resident educator license issued in this manner, the individual must complete a pedagogical training institute.

The bill permits DEW to establish alternative pathways for an individual with a bachelor's degree to obtain a license to work as an administrator or superintendent and requires DEW to develop a proposal for an apprenticeship program for school principals not later than 120 days after the bill's effective date. Administrative rules currently require candidates for a professional administrator license, which encompass credentials for superintendents, principals, or administrative specialists, to hold at least a master's degree. The State Board charges a licensure fee of \$200 for a professional administrator license, which must be renewed every five years. License fees for any alternative pathways established under the bill may differ depending on the duration of the license (educator license fees generally equate to \$40 on an annualized basis). There may be costs for DEW to develop the proposal for an apprenticeship program for school principals.

## **Background checks**

An applicant for any of these licenses described above will need to have current state and federal background checks on file with the State Board. According to the State Board, the checks can be no older than one year at the time the State Board issues the credential. Background checks filed with the State Board are valid for five years. However, the bill limits the background check and RAPBACK enrollment requirements for nonlicensed individuals to school employees and contracted individuals who may routinely interact with children. Under current law, all school employees or contracted individuals not required to hold a license issued by the State Board must undergo a criminal records check and be enrolled in RAPBACK.

The bill may affect the workload of the Attorney General's Bureau of Criminal Investigation (BCI) if the number of background checks requested each year increases or decreases as a result of the bill. Any associated change in BCI's annual operating expenses will be more or less offset by the change in the revenue from 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),<sup>1</sup> with \$23.25 of the FBI background check fee subsequently disbursed to the FBI. BCI also charges participating agencies an initial fee for each individual entered in RAPBACK and an ongoing annual fee per individual, both of which are \$5 and deposited into Fund 1060. Accordingly, the State Board's costs for RAPBACK enrollment may increase or decrease. The State Board's budget is funded by license and related fees paid by teachers and school or district staff that are deposited into Fund 4L20.

## **Teacher evaluations**

Current law requires a school district to develop and adopt standards-based teacher evaluation procedures according to a framework developed by the State Board of Education. The bill permits schools to develop and use their own frameworks for teacher evaluations as an alternative to the framework prescribed by the State Board. The bill generally maintains current law requirements for evaluation procedures to include at least formal observations and classroom walk-throughs, which may be announced or unannounced; examinations of samples of work, such as lesson plans or assessments designed by a teacher; and multiple measures of student academic growth. However, the bill requires evaluation procedures in the Cleveland Municipal School District (CMSD) to include at least one formal observation and classroom walkthrough, instead of "at least formal observations and classroom walkthroughs." Any fiscal effects associated with these provisions on school districts are permissive and will depend on district implementation decisions. The change for CMSD may reduce its teacher evaluation costs and workload.

The Department of Education and Workforce (DEW) provides an online educator evaluation system, the Ohio Evaluation System (OhioES), for districts and schools to report educator evaluations. Districts or schools have two options to submit teacher evaluations: (1) a combination of electronic forms and uploaded attachments or (2) manually enter performance ratings to determine the Final Holistic Rating of Teacher Effectiveness. According to DEW, the first option may or may not be viable depending on the alternative framework, while districts could use the second option by uploading a copy of the alternative framework and entering the Final Holistic Rating. Therefore, this provision appears to have no fiscal effect on DEW.

## **Student transportation – afterschool time**

The bill creates an exception to the 30-minute timeframe within which students must be picked up following the end of the school day to remain in compliance with student transportation requirements. Specifically, the bill prohibits a determination of noncompliance if the condition occurs promptly after school and the school provides academic services that are supervised by a school employee, to affected students for no more than 60 minutes after the end of the school day. This provision provides flexibility for school districts to align transportation

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<sup>1</sup> 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.

services with any afterschool programs the district may offer. In turn, it may limit the circumstances in which a district could be considered out of compliance with transportation requirements. Continuing law penalizes school districts for transportation noncompliance through a series of escalating sanctions, starting with notification and creation of a corrective action plan and, if noncompliance persists, progressing to withholding of state transportation funds.

## **Exemption from statutory requirements**

Current law exempts certain school districts from several statutory requirements, including provisions related to teacher qualifications under the third grade reading guarantee, teacher licensing, mentoring under the Ohio Teacher Residency Program, and class size restrictions. A school district qualifies for the above exemptions if it has received all of the following on its most recent state report card: (1) at least 85% of the total possible points for the performance index score, and (2) a four-year adjusted cohort graduation rate of at least 93%, and a five-year adjusted cohort graduation rate of at least 95%. The bill allows a district to qualify if it meets these two conditions or if it received a performance rating of five stars for progress on its most recent report card and meets the same graduation rate criteria in (2) above. For the 2023-2024 school year, 175 (29%) school districts qualified for exempt status under current law. If the bill's criteria had been in place when determining the exempt districts for the 2023-2024 school year, 14 additional districts would have qualified. The additional districts that qualify under the bill may experience a decrease in costs due to the flexibility the exemptions provide.

However, the bill eliminates the exemption related to teacher qualifications under the third grade reading guarantee. As a result, districts qualifying for exempt status must provide each student retained in the third grade or on a reading improvement and monitoring plan with a teacher who (1) has at least one year of teaching experience and (2) meets at least one of the following criteria: (a) holds a reading endorsement on the teacher's license, (b) has completed a master's degree with a major in reading or literacy, (c) received a passing score on a rigorous test of principles of scientifically research-based reading instruction (Praxis 5205), or (d) holds an educator license issued on or after July 1, 2017, in early childhood (preK-3) education, middle childhood (4-9) education, or for certain K-12 intervention specialists, or (e) holds a license issued by the Board of Speech-Language Pathology and Audiology and a professional pupil services license as a school speech-pathologist issued by the State Board of Education. Staffing costs for qualifying districts may increase to the extent that teachers with additional reading instruction qualifications are necessary. Such costs will also depend on organizational choices made by the districts.

Also, the bill permits a school district to renew an exemption from the statutory requirements every three school years. Current law does not address renewal of the exemption past an initial three-year term. According to DEW guidance, the Department resets the three-year period each school year that a district meets the requirements for the exemption.<sup>2</sup> Thus, it appears that a school district will not be able to renew its exemption as frequently as under current

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<sup>2</sup> See DEW's "[Exempt Status](#)" and its [Impact on Qualifying School Districts guidance \(PDF\)](#), which may be accessed by conducting a keyword "Exempt Status" search on DEW's website: [education.ohio.gov](http://education.ohio.gov).

practice. The bill requires DEW to notify each eligible district, annually by September 30, about the exemptions and their eligibility. The cost for DEW to make such notifications for districts renewing their exemptions under the bill likely will be negligible at most. DEW posts the list of exempt districts on its website.<sup>3</sup>

## **Remote state assessment pilot program**

The bill requires DEW to establish a pilot program for the 2024-2025 school year to test the feasibility of remotely administering and proctoring state assessments. DEW must select a variety of internet- or computer-based community schools (e-schools) to participate in the program. Statewide, there are 18 e-schools. At least one of the selected schools must be a statewide e-school with a total enrollment of at least 5,000 students. As of June 2024, two e-schools meet this condition: Ohio Virtual Academy and Alternative Education Academy. A third e-school, Ohio Connections Academy, has nearly 5,000 full-time equivalent students. During the program, DEW must select which assessments will be administered remotely and ensure that they are administered properly by coordinating their timing, location, and the technology required to administer them. DEW is required to submit a report detailing its findings to the General Assembly by September 1, 2025.

Currently, students must take state tests in person in rooms designated for test administration. E-schools in particular must provide their students a location within a 50-mile radius of the student's residence at which to complete the state tests, a requirement the bill maintains. According to a representative from the Ohio Online Learning Coalition, e-schools carry costs associated with facilities fees, travel cost reimbursements for students and staff, and other costs associated with testing. The bill may decrease these costs for e-schools that participate in the pilot program. However, the implementation of remote testing may increase information technology (IT) costs for them. Any increases in IT costs are expected to be less than the savings associated with testing facilities.

Implementation of remote testing may increase costs for DEW depending on specifications for state test administration, the number of schools selected for the pilot, and the number of tests administered. According to DEW, the current state testing platform supports integrated camera proctoring and is an available option under the state's current state testing contract. The Department's cost in activating functionality for remote proctoring will depend on test administration requirements. For example, there will be additional testing contract costs if DEW desires for Cambium, the state's main testing vendor, to develop training for parents and conduct data analysis to look for anomalies in student performance, or if DEW chooses to establish a remote proctoring certification course.

## **School district competitive bidding**

The bill increases the competitive bidding threshold for school districts from \$50,000 to \$75,000 and provides for a 3% increase to this amount in each year beginning with calendar year 2025. This provision aligns the competitive bidding threshold for school districts with that for other political subdivisions. The increase in the bidding threshold may result in fewer projects

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<sup>3</sup> See DEW's [Rewards and Recognition](#), which may be accessed by conducting a keyword "Rewards" search on DEW's website: [education.ohio.gov](http://education.ohio.gov).



being bid, thereby reducing the administrative costs associated with the bidding process. However, the impact to overall school district contract costs is uncertain.

## **Sexually transmitted infection education**

The bill changes references of “venereal disease” education in the Revised Code to “sexually transmitted infection” education. Also, the bill requires sexually transmitted infection education in schools to teach that having children at an early age or outside of marriage increases the likelihood of hardship in life, in place of the current requirement to teach that conceiving children outside of wedlock is likely to have harmful consequences for the child, the child’s parents, and society. School district and other public school expenditures may incur minimal costs to update their curriculum to meet the bill’s requirements.

## **Community school monthly residency reviews**

The bill eliminates the requirement that community schools review the residency records of students monthly. Continuing law, unchanged by the bill, requires a community school to verify to DEW a student’s resident district upon enrollment and on an annual basis. The bill’s provision may decrease community school administrative costs. The current law provision dates back to the former system of school financing that funded students in the school district in which the student resided. The funding for students educated in community schools was deducted from the resident school district’s state foundation aid and transferred to the educating school. Under the current system, community schools are directly funded by the state. That is, the deductions from the resident district no longer occur.

## **E-school enrollment limits**

Under current law, internet- or computer-based community schools are subject to an enrollment limit based on the prior year’s enrollment limit. An e-school’s enrollment limit for a given year increases by 15% if the prior year’s limit is 3,000 or more students and by 25% if the prior year’s limit is less than 3,000 students. New e-schools are limited to an enrollment of 1,000 students in their first year of operation. The enrollment limit of an e-school increases at the statutorily prescribed percentage, regardless of changes in actual enrollment.

The bill eliminates enrollment limits for e-schools. The provision may lead to greater enrollment growth in e-schools than under current law and thus an increase in state aid expenditures. However, no e-school is near to its enrollment limit. For reference, the e-school closest to its cap for FY 2024, the Alternative Education Academy, has enrollment equal to 63% of its limit, as of June 2024.<sup>4</sup>

## **Community school sponsors**

### **New evaluation framework proposal; opt in to evaluations for 2024-2025 school year**

Under current law, DEW administers an evaluation system for community school sponsors. This system consists of three components (academic performance, compliance with laws, and adherence to quality practices) that determine an overall rating of “exemplary,” “effective,”

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<sup>4</sup> See DEW’s [FY 2024 E-School Enrollment Caps \(PDF\)](#), which may be accessed through DEW’s website: [education.ohio.gov](http://education.ohio.gov).

“ineffective,” or “poor.” DEW uses the overall ratings to assign certain incentives and sanctions for sponsors. The bill requires DEW to create a new evaluation framework for community school sponsors with the input of community school stakeholders. The framework must specify the metrics and frequency of evaluation, provide meaningful differentiation of performance, and include recommendations for consequences for consistent underperformance. DEW must provide framework and legislative recommendations to implement it by March 31, 2025. The bill prohibits DEW from evaluating community school sponsors for the 2024-2025 school year, unless a sponsor elects to be evaluated.

On one hand, the bill’s requirement to develop a new sponsor evaluation framework will likely increase DEW costs to some degree. However, DEW’s overall community school sponsor evaluation system costs will likely decrease in FY 2025 if sponsors elect to forego an evaluation. Currently, there are 19 active community school sponsors. In the sponsor evaluation cycle for the 2024-2025 school year, DEW indicates that between 16 and 19 sponsors are due to be evaluated. DEW employs two full-time staff to monitor and oversee sponsor evaluation and contracts with two vendors, one each to perform the compliance and quality practices reviews. As a point of reference, DEW reported to LBO that the cost of sponsor evaluation under the current system fluctuates year to year depending on the number of sponsors and their portfolio of schools being evaluated. The average cost is between \$23,000 and \$42,000 per sponsor evaluated per fiscal year. This figure is an approximation, as DEW indicates sponsor evaluation cycles do not neatly line up with the fiscal year cycle. For example, costs for the 2024-2025 school year sponsor evaluation cycle will be paid during FY 2025 and FY 2026. Currently, most of the active community school sponsors only need to be evaluated every three years due to past “exemplary” ratings.

Sponsor evaluation costs are funded by the GRF in line item 200455, Community Schools and Choice Programs. H.B. 33 appropriates about \$4.2 million in each of FY 2024 and FY 2025 in item 200455 to provide oversight and administration of school choice programs, including community schools and their sponsors, nonpublic schools, and other providers participating in the state’s scholarship programs.

### **Limit on number of sponsored schools**

Under current law, an entity sponsoring a community school generally may sponsor up to 100 schools. However, current law also permits a sponsor rated “exemplary” for the two most recent years that the sponsor was evaluated to sponsor an unlimited number of schools. The bill allows a sponsor rated “exemplary” on its most recent evaluation to sponsor up to 200 schools. As noted above, there currently are 19 community school sponsors, nine of which were rated “exemplary” on their most recent sponsor rating. Of these nine, three may sponsor an unlimited number of schools (in practice, these three entities each sponsor either one or two schools in FY 2024). Of the remaining six sponsors, the one nearest the current 100 school limit is St. Aloysius Orphanage, which currently sponsors 81 schools throughout Ohio.

### **Debt limit increase for locally funded school facilities initiatives**

Under current law, a school district may incur no more than a certain amount of debt to support nonrequired locally funded school facilities initiatives, which are projects solely funded by the district that are in addition to the basic projects funded under the master facilities plan agreed to with the Ohio Facilities Construction Commission (OFCC). OFCC works with the district to integrate these initiatives into the overall master plan, but does not share the cost of the

additional project. Currently, the amount of debt for these initiatives cannot exceed 50% of the district's local share of the basic project cost. The bill increases the cap on the amount of debt a school district may incur to support nonrequired locally funded initiatives to 75% of the local share of the basic project cost for a period from the bill's effective date to December 31, 2027. School districts participating in an OFCC school facilities project that opt to go beyond the current 50% cap will incur the additional debt up to the proposed 75% cap and the additional financing costs.

## **Higher education provisions**

### **Grow Your Own Teacher Program modifications**

H.B. 33, the main operating appropriations act of the 135<sup>th</sup> General Assembly, established the Grow Your Own Teacher Program (GYOT), under which ODHE, in conjunction with DEW, awards annual scholarships of up to \$7,500 for up to four years to certain low-income high school seniors and district employees who commit to teaching in a qualifying school for at least four years after graduating from a teacher training program. Under current law, a "qualifying school" is a school district building that is identified as high need by ODHE, has difficulty attracting and retaining licensed classroom teachers, and is the same school that graduated or employed a GYOT scholarship recipient. A teacher training program, in consultation with DEW, may grant credit to a qualifying employee who has commensurate work experience at a qualifying school for completion of a teacher training program. Any scholarship awarded under this program is converted into a loan if the recipient fails to fulfill the teaching commitment within six years after graduating. The program is supported by appropriations of \$5.0 million in FY 2024 and \$10.0 million in FY 2025 from Fund 5YZ0 line item 235592, Grow Your Own Teacher Program, in the ODHE budget.

The bill makes a number of changes to the program. Altogether, these provisions appear to expand the number of individuals who qualify for a GYOT scholarship, which may increase GYOT expenditures under line item 235592. Ultimately, expenditures are limited to GYOT's appropriations. Most notably for GYOT, the bill:

- Qualifies an applicant for a scholarship under the program if the applicant graduates from or is employed by a "qualifying school district" (school districts, community schools, STEM schools, chartered nonpublic schools, nonchartered nonpublic schools, and educational service centers (ESCs)) rather than a qualifying school;
- Qualifies a high school senior for the program if the student (1) graduates from a school where at least 25% of the students are eligible for free or reduced-price lunch or (2) receives a federal Student Aid Index of 25,000 or less;
- Permits the Chancellor of Higher Education to prioritize scholarship applicants with the most financial need if there is insufficient appropriation available under line item 235592 to fund all qualifying applicants;
- Eliminates the provision of the program described above that authorized a teacher training program to grant credit for completion of the program to a qualifying employee who has commensurate work experience at a qualifying school; and
- Eliminates a prohibition against a total scholarship award amount from exceeding the total cost of a qualifying employee's loans for a teacher training program.

## **Student training at early learning and development programs**

The bill requires an institution with an early childhood teacher preparation program that results in a credential or associate's degree or higher in early childhood education to permit a student of that program to complete required student training as a paid employee of an early learning and development program (including child care centers, type A homes, licensed type B homes, licensed preschool programs, and licensed school child programs). It also expressly states that an eligible institution cannot prohibit a student completing training under this provision from being paid. The bill appears to permit students to complete their student teaching requirements or field experience hours in conjunction with their paid employment at the same program.

The bill also requires ODHE and the Department of Children and Youth (DCY) to collaborate with industry stakeholders to develop strategies to assist employees of early learning and development programs in completing student training. The administrative workloads of ODHE and DCY may increase to fulfill this additional responsibility.

## **Synopsis of Fiscal Effect Changes**

- The substitute bill adds the following provisions and their associated fiscal effects:
  - Modification of the calculation of certain statewide average per-pupil amounts in the school funding formula's base cost amounts for FY 2024 and FY 2025.
  - The authorization for the Director of the Department of Education and Workforce (DEW) to reallocate excess funds for other purposes in GRF line item 200550, Foundation Funding – All Students, to fully pay supplemental funding for dropout prevention and recovery (DOPR) e-schools, instead of requiring the supplemental funding to be prorated if the amount earmarked for the payments is insufficient.
  - The transfer of up to \$1.5 million cash from the GRF to the High School Financial Literacy Fund during the FY 2024-FY 2025 biennium.
  - The requirement for DEW to establish and operate the School Turnaround Pilot Program.
  - The requirement for DEW to develop a proposal for an apprenticeship program for school principals.
  - The modifications to the criteria for school districts to qualify for certain statutory exemptions and the elimination of the exemption related to teacher qualifications under the third grade reading guarantee.
  - The increase in the competitive bidding threshold for school districts from \$50,000 to \$75,000, with a 3% annual increase beginning in calendar year 2025.
  - The temporary increase in the cap on the amount of debt a school district may incur for nonrequired locally funded initiatives from 50% of the local share of the basic project cost to 75% of that cost.
  - The changes regarding sexually transmitted infection education.
  - The prohibition on DEW conducting community school sponsor evaluations for the 2024-2025 school year unless a sponsor elects to be evaluated and the requirement for DEW to develop a new sponsor evaluation framework.

- The changes to the Grow Your Own Teacher Program.
- The requirement that the Ohio Department of Higher Education (ODHE) and the Department of Children and Youth (DCY) collaborate with industry stakeholders to develop strategies to assist employees of early learning and development programs in completing student training.
- The substitute bill likely reduces the scope of the bill’s fiscal effects on the state and e-schools and eliminates the bill’s fiscal effects on school districts and other public schools regarding remote administration and proctoring of state assessments by replacing the permanent law provisions in the Senate-passed version (previous bill) that applied to any virtual school operated by a school district, an e-school, or a DOPR community school with an online learning model and any state test with a pilot program for the 2024-2025 school year that applies only to e-schools and state tests that DEW will select.
- The substitute bill may increase the State Board of Education’s educator licensing costs and fee revenue and may increase the Attorney General’s background check and RAPBACK costs and fee revenue by (1) removing the provision in the Senate-passed (previous) bill allowing school districts to employ unlicensed teachers who meet certain requirements and (2) adding the provision requiring the State Board to issue alternative resident educator licenses to individuals with master’s degrees who pass a subject area examination.
- The substitute bill may reduce teacher evaluation costs or workload in the Cleveland Municipal School District by requiring that evaluation procedures in that district include at least one formal observation and classroom walkthrough, instead of “at least formal observations and classroom walkthroughs.”
- The substitute bill removes the provision in the previous bill permitting districts to set the number of clock hours required to complete dyslexia professional development and its associated fiscal effects.