



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** S.B. 39 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Sen. Schiavoni

**Local Impact Statement Procedure Required:** No

**Subject:** E-school operations and money returned to state from community school audits

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### State and Local Fiscal Highlights

- The bill makes a number of modifications to the law governing Internet- or computer-based community schools (e-schools), and specifically e-schools that are not sponsored by a school district, which are likely to increase the administrative costs of those schools.
- In certain cases, the bill excuses an e-school not sponsored by a school district from the requirement to automatically withdraw a student who is absent for more than 105 consecutive hours of learning opportunities without a legitimate excuse, which could result in higher enrollment and, therefore, higher state funding for the schools.
- The bill may increase administrative costs for the Ohio Department of Education (ODE) through its requirement that ODE provide administrative support to the E-school Funding Commission, which is created by the bill.

## Detailed Fiscal Analysis

The bill primarily makes a number of modifications to the law governing Internet- or computer-based community schools (e-schools), and specifically e-schools that are not sponsored by a school district. Provisions of the bill that are notable from a fiscal perspective are discussed below. Currently, there are 23 e-schools collectively educating over 37,000 full-time equivalent (FTE) students. E-schools are slated to receive approximately \$261.8 million in state foundation aid in FY 2017. Currently, there are five e-schools that are not sponsored by school districts.

### Provisions for e-schools not sponsored by a school district

#### Automatic withdrawal

Under current law, the governing authority of a community school must automatically withdraw a student who is absent for more than 105 consecutive hours of learning opportunities without a legitimate excuse. The bill excuses an e-school not sponsored by a school district from this requirement in "extenuating circumstances" for "high-performing students," both of which are to be spelled out in rules to be adopted by the State Board of Education. Because the state's school funding formula is based on student enrollment, this provision may increase state aid for these schools.

#### Full-time equivalency (FTE)

A student's FTE is used to calculate the amount of state funding deducted from a student's resident district for payments to an e-school. In general, community schools, including e-schools, undergo reviews of the FTEs reported for funding purposes every five years. Some community schools are reviewed more frequently based on certain circumstances (e.g., the school was recently opened). Current law states that a community school student's FTE is determined by comparing the learning opportunities offered by the community school to a student and the total learning opportunities offered by the community school to a student that attends the school for the entire school year. However, current law also requires "learning opportunities" to be in compliance with criteria and documentation requirements for student participation established by the Ohio Department of Education (ODE). ODE's current policy requires community school FTE calculations to be based on attendance documentation. Specifically, the current policy states, "The [FTE] reviewer must check the individual attendance record for each student being reviewed. This attendance record should show when a student has logged on and off while accessing learning opportunities." In addition, hours spent in nonclassroom activities or nonclassroom instruction must also be documented and approved in writing by a teacher or administrator.<sup>1</sup>

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<sup>1</sup> Ohio Department of Education, FTE Review and Community School Enrollment Handbook, Revised January 5, 2015, pg. 15-16. Available online at <http://education.ohio.gov/getattachment/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Community-School-Funding/Community-School-Funding-Information/FTE-Review-Handbook-January-2015.pdf.aspx>.

The bill clarifies that for an e-school that is not sponsored by a school district, a student's FTE must be based on the amount of time that the student was actively engaging in learning opportunities provided by the e-school, which appears to codify ODE's current policy with respect to community school FTE calculations. Note also that the bill requires e-schools that are not sponsored by school districts to keep an accurate record of the number of hours in which students are actively engaging in learning opportunities during each period of 24 consecutive hours. Current law, enacted in H.B. 2 of the 131st General Assembly, requires each e-school to keep an accurate record of each individual student's participation in learning opportunities each day.

### **Operations**

The bill makes a number of changes to the law governing the operation of e-schools that are not sponsored by school districts, which are likely to increase the administrative costs of the schools. Specifically, the bill requires the e-schools to:

- Submit a monthly report of participation in learning opportunities to ODE.
- Notify ODE, a student's parent or guardian, and the student's resident school district of a student's failure to participate in learning opportunities for ten consecutive days;
- Include certain report card grades and graduation rates on advertising, recruiting, and promotional materials;
- Make public meetings of its governing board available online in a livestream format and publish notification of such meetings at least two weeks prior to the meeting in at least one newspaper of general circulation within each city or county from which the school currently enrolls a student;
- When a student's performance declines, confer with the student's parent to evaluate the student's continued enrollment in the school (this requirement is in addition to current law that requires e-schools to periodically communicate with each student's parent on the performance and progress of that student and to provide opportunities for parent-teacher conferences).

### **Report card modifications**

The bill requires ODE to report additional data on the state report cards for each school district and school. Specifically, the report cards must include annual reporting on student mobility (instead of "when available" under current law). The bill also requires the report cards to attribute to the e-school the test scores of a student who attended an e-school not sponsored by a school district for more than 90 days but transferred to the student's resident district in the same school year. These provisions may increase ODE's administrative responsibilities. About \$4.9 million each fiscal year

in GRF funding is specifically appropriated to ODE for the current accountability system and report cards. Additional appropriation is used for data collection.

### **E-school Funding Commission**

ODE must provide administrative support to the E-school Funding Commission, which is created by the bill. The Commission is required to study the costs of operating an e-school. This will increase ODE's administrative costs.

### **Blended learning metric**

The bill requires ODE to develop a metric for measuring student performance in schools that operate using the blended learning model. Under current law, community schools (excluding e-schools), as well as public school districts and other types of public and private schools, are authorized to operate all or part of a school using a blended learning model.

### **Distribution of findings for recovery**

The bill specifies how ODE is to distribute money returned to the state when there is a finding for recovery issued by the Auditor of State as a result of a community school audit. Under the bill, if the finding for recovery resulted from an audit of community school enrollment records, the money must be credited to the school district from which the money was originally deducted.<sup>2</sup> If the finding for recovery resulted from any other type of community school audit, the money must be redistributed to the school districts of the students enrolled in the community school at the time the finding was issued, in an amount proportional to each district's share of the community school's total enrollment at that time.

Certain school districts may receive an increase in revenue under the bill. Any increase will depend on the amount of any future findings that are paid to the state and how ODE would distribute the money under current law. According to ODE's annual report for the 2014-2015 school year, seven community school audits resulted in findings for recovery that year, which ranged from \$196 to \$4,350.<sup>3</sup> According to the Auditor's website, the largest finding against a community school was \$1.5 million, which was certified in 2010 and has not been resolved.

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<sup>2</sup> Community schools are paid through a deduction of state foundation funding from the school districts in which the school's students reside.

<sup>3</sup> Ohio Department of Education, 2014-2015 Annual Report on Ohio Community Schools, pg. 25. Available online at <http://education.ohio.gov/getattachment/Topics/Community-Schools/Annual-Reports-on-Ohio-Community-Schools/2014-15-Community-School-Annual-Report.pdf.aspx>.