



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

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H.B. 707

132nd General Assembly
(As Introduced)

Reps. Reineke and Faber

BILL SUMMARY

- Makes changes to law regarding Internet- and computer-based community schools ("e-schools"), including clarifications on calculating full-time equivalency for students, student disenrollment, automatic log-off for extended idle time, and approved software and textbooks.
 - Makes changes to regulations regarding community school operators, including accounting reporting, disclosures of subcontractors, and indemnification under certain circumstances.
 - Creates a legislative committee to study and report recommendations on a competency-based payment structure for e-schools and the reduction of the amount of hours of learning opportunities missed by a student to be withdrawn from a community school.
 - Requires the Joint Committee on Agency Rule Review on an annual basis to review the Department of Education's full-time equivalency manual for all public schools.
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CONTENT AND OPERATION

Changes to e-school laws

Under continuing law, an "Internet- or computer-based community school" (referred to as an "e-school") is a community (charter) school in which the students work primarily from their residences on assignments in nonclassroom-based learning opportunities provided by way of (1) an Internet- or other computer-based instructional method that does not rely on regular classroom instruction or (2) "comprehensive instructional methods" that include Internet-based, other computer-based, and

noncomputer-based learning opportunities, unless a student receives career-technical education.¹ The bill makes several changes to the law regarding the operation of e-schools.

Adoption of policies on e-school payment reductions for nondelivery

Since 2001, current law has required the Superintendent of Public Instruction jointly with the Auditor of State to develop policies under which the Department of Education must reduce the amounts otherwise payable to any community 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, and activated.² The bill specifies instead that the Auditor of State only consult with the state Superintendent on adoption of the payment reduction policies and not to jointly adopt them.³

Calculating full-time equivalency for e-school students

The bill requires the Department to define the following terms if the Department uses them in its manual for determining full-time equivalency for e-school students: "documentation of online learning," "idle time," "educational," "noneducational," "participation," and "classroom."⁴ (See also "**JCARR review of FTE manual**" below.)

Further, the bill requires the Department to instruct its school finance area coordinators to include both "student participation in learning opportunities" and the "duration a student is logged on" when assisting schools in calculating full-time equivalency for student enrollment. The bill also requires the Department to create and ensure a uniform application of standards, by its coordinators, related to calculating student participation in learning opportunities and idle time.⁵ The Department employs school finance area coordinators to help school districts and other public schools with administrative matters related to reporting information and funding.

¹ R.C. 3314.02(A)(7), not in the bill.

² R.C. 3314.08, as amended by H.B. 94 of the 124th General Assembly. The provision was then codified in division (N). It is now in division (J)(2).

³ R.C. 3314.08(J)(2).

⁴ R.C. 3314.231(A).

⁵ R.C. 3314.231(B).



Idle time

Under the bill, the Department must adopt rules that specify the amount of time a student's account may remain idle before it is automatically logged off. The Department must define "idle" for purposes of the bill.⁶

Disenrollment

The Department also must adopt rules to determine when an e-school may "disenroll" a student for not actively participating in learning opportunities.⁷

Current law requires any community school to withdraw a student who fails to participate in 105 consecutive hours of learning opportunities. A full school year for any community school must consist of at least 920 hours of learning opportunities.⁸ (See also "**Study of e-school funding and withdrawal of nonattending students**" below.)

Approved software and modules

The bill requires the Department to provide e-schools with an approved list of electronic textbooks or modules and learning management software or vendors for those products. Approved products must comply with requirements for participation in learning opportunities.⁹

Changes to laws regarding community school operators

Many community schools, both e-schools and brick-and-mortar schools, are run by for-profit or nonprofit operators (or management companies) that do so under a separate contract with the schools' governing authorities.¹⁰ The bill makes changes to some of the laws regarding school operators.

Reporting of expenses

Current law requires any management company (or operator) that receives more than 20% of the annual gross revenues of a community school to provide a detailed accounting, including the nature and costs of goods and services it provides to the community school. The law lists several categories of expenses that must be included in

⁶ R.C. 3314.231(C).

⁷ R.C. 3314.231(D).

⁸ R.C. 3314.03(A)(6).

⁹ R.C. 3314.231(E).

¹⁰ See R.C. 3314.02(A)(8), not in the bill.

the accounting. The bill specifies that the 20% annual gross revenue trigger for the accounting be determined considering payments to the management company, alone, or together with its subsidiaries. In addition, the bill adds the following categories of expenses that must be included in the accounting:

- (1) Communications, advertising, and promotions;
- (2) Travel;
- (3) Food;
- (4) Books, periodicals, and films;
- (5) Overhead;
- (6) In-kind donations;
- (7) Lobbying;
- (8) Accounting;
- (9) Legal services; and
- (10) Information technology.

Like those expenses already required under current law, these expenses must be disaggregated into different designations such as type of instruction, services, or activities.¹¹ (See pp. 31-32 of the LSC Final Analysis for H.B. 2 of the 131st General Assembly for a description of the categories required under current law.¹²)

Subcontractor disclosure

The bill requires the agreement entered into between the sponsor and the governing authority of a community school to include a provision that requires the operator of the school to disclose to the sponsor all subcontracts the operator enters into for the operation of the school.¹³

¹¹ R.C. 3314.024.

¹² <https://www.legislature.ohio.gov/download?key=2821&format=pdf>.

¹³ R.C. 3314.03(A)(32).



Subsidiary liability

If there is a relationship between the governing authority of a community school and the school's management company (operator), the bill requires the management company to agree to indemnify that school for financial losses to the school up to the amount of the profit realized or moneys received by the management company or its other related entities, or both. This requirement applies in the case of any business or familiar relationship between a governing authority or any of its officers or employees and the management company contracted by the school, or any of the company's officers or employees, other than the operator agreement itself.¹⁴

Study of e-school funding and withdrawal of nonattending students

The bill creates a legislative committee to study and report on specific recommendations regarding (1) a payment system for e-schools based on a student's competency of subject matter, in addition to, or instead of, full-time enrollment in coursework and log-on and log-off times, and (2) whether to reduce, and if so, by how much, the requirement that a student be withdrawn from a community school for not participating in 105 consecutive hours of learning opportunities. The committee must submit its recommendations to the General Assembly not later than November 1, 2018.

The committee consists of:

- (1) Two members of the House of Representatives, appointed by the Speaker of the House;
- (2) One member of the House, appointed by the Minority Leader of the House;
- (3) Two members of the Senate, appointed by the Senate President; and
- (4) One member of the Senate, appointed by the Minority Leader of the Senate.¹⁵

JCARR review of FTE manual

The bill requires the Department of Education to submit to the Joint Committee on Agency Rule Review (JCARR) the manual containing the standards, procedures, timelines, and other requirements the Department intends to use to review or audit the full-time equivalency student enrollment reporting by all school districts, community schools, STEM schools, and college-preparatory boarding schools by May 1 of each year. That manual is often referred to as the "FTE manual." By May 1 of any year that

¹⁴ R.C. 3314.043.

¹⁵ Section 3.



the Department proposes to change the manual, the Department must also submit to JCARR and to each public school a detailed summary of the changes, specifically comparing the differences between the prior school year's FTE manual and the proposed FTE manual. The Department also must post the summary and the proposed FTE manual in a prominent location on the Department's website.¹⁶

The bill requires JCARR, upon submission of an FTE manual with proposed changes, to hold one or more public hearings at which public schools may present testimony on their "ability and capacity to comply" with the proposed FTE manual. By June 15 of any year that the Department proposes changes to the FTE manual, JCARR must vote to determine whether public schools can "reasonably comply" with the proposed standards, procedures, timelines, and other requirements contained within it. By July 1 of each year in which JCARR determines that schools are "reasonably capable of compliance" with the proposed changes to the FTE manual, JCARR must prepare (1) a report comparing the prior year's FTE manual with the newest FTE manual, and (2) a summary of the testimony submitted in the public hearings and submit them to the General Assembly.¹⁷

If the Department fails to comply with the requirement to submit the proposed FTE manual to JCARR by May 1 of any year or JCARR determines that schools are not reasonably capable of compliance with the proposed changes in the FTE manual, the bill specifies that the proposed manual becomes ineffective. The Department then must conduct its reviews or audits using the manual and accompanying standards, procedures, timelines, and other requirements from the previous school year.¹⁸

HISTORY

ACTION	DATE
Introduced	06-19-18

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¹⁶ R.C. 3301.65(A) and (B).

¹⁷ R.C. 3301.65(D).

¹⁸ R.C. 3301.65(C).

