H.B. 282*

123rd General Assembly
(As Introduced)
(excluding appropriations, fund transfers, and similar provisions)

Rep. Thomas

BILL SUMMARY

State funding for school district operating costs

- Continues the phase-in of the new education funding system established by Am. Sub. H.B. 650 and Am. Sub. H.B. 770 of the 122nd General Assembly.
- Establishes new, equalized, state funding for the extra costs associated with vocational education in school districts.
- Establishes new, equalized, state funding for gifted education.
- Increases, in each year of the biennium, the statewide average teacher's salary used in the calculation of the third grade guarantee portion of DPIA.
- Replaces the transportation funding formula and guarantees school districts will receive in FY 2000 at least the amount of state transportation funding they received in FY 1999.
- Eliminates state driver education subsidies for the biennium.
- Repeals the small district aid subsidy, which pays school districts with enrollments of less than 1,000 students in formula ADM $50 for every student less than 1,000.

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* *This analysis was prepared before the bill's introduction was published in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.*

State funding for joint vocational school districts

- Restructures the state funding for joint vocational school districts (JVSDs) to closely parallel state funding for city, local, and exempted village school districts.

Community schools

- Permits new start-up community schools to be located in any school district that is in a state of academic emergency and allows new start-up schools to be located permanently in the pilot project districts of Lucas County.

- Requires the governing authority of each community school, other than a community school established under the pilot project law, to adopt a policy specifying whether admission to the school should be limited to students living in the district where the school is located, or should be open either to students living in districts adjacent to the district where the school is located or to students from anywhere in the state.

- Changes student transportation requirements so that a school district must transport its students who are enrolled in community schools on the same basis that the district must transport its students who are enrolled in nonpublic schools.

State capital funding for school buildings

- Makes various administrative changes in the Classroom Facilities Assistance Program.

Other provisions related to primary and secondary education

- Permits initial pilot project scholarships (vouchers) to be awarded to sixth graders in FY 2000 and to sixth and seventh graders in FY 2001.

- Directs the Department of Education to establish the Office of School Options to provide advice and services for the Community Schools program and the Pilot Project Scholarship Program and to replace the Community School Commission and take on that commission's duties.

- Abolishes the Ohio SchoolNet Office and transfers all of its functions, assets, and liabilities to the Ohio SchoolNet Commission.

- Requires that a school district financial planning and supervision commission consist of five members instead of seven and alters the required composition of each commission.

- Requires the Auditor of State to act as the financial supervisor for a school district with a financial planning and supervision commission or to provide for financial supervision through contract.

- Requires that a school district financial planning and supervision commission adopt a financial recovery plan for the district within 120 days of its first meeting instead of within 60 days as required in current law.

- Expands the secular items that school districts may buy with state Auxiliary Services funds and lend to chartered nonpublic school students to include electronic textbooks, consumable textbooks, site-licensed software, digital video on demand ("DVD"), wide area internet access technology, school library materials, resources and services of the Ohio SchoolNet Commission, and other instructional materials.

Higher education

- Creates an income tax deduction for qualified tuition and fees for post-secondary education.

- Increases the Ohio Instructional Grants (OIG grants) by approximately 5% in both FY 2000 and FY 2001 and makes those grants available for students enrolled on a year-round basis.

- Removes the prohibition against awarding Student Choice Grants to a student enrolled in specific religious studies, provided the course of study leads to an accredited bachelor of arts or bachelor of science degree.

- Extends eligibility for a war orphans scholarship to the child of a nonresident prisoner of war or person who was missing in action if the child has resided in Ohio for the year immediately preceding the year in

which the application for the scholarship is made and for any four of the last ten years.

- Requires the Ohio Board of Regents to monitor occupancy rates in state university dormitory systems to determine when low occupancy could result in financial difficulties and to make recommendations regarding financial assistance in such situations.

- Requires the Ohio Board of Regents to conduct "enrollment audits" of state-supported higher education institutions.

- Requires the Board of Regents to maintain educational "service expectations" for community colleges and other specified institutions instead of adopting "standards" for educational service; modifies some standards; and converts all standards to "expectations."

- Establishes one year (instead of two years) as the length of time for which an initial certificate of registration is valid for a new proprietary school.

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CONTENT AND OPERATION

STATE FUNDING FOR SCHOOL DISTRICT OPERATING COSTS

Introduction--key education funding concepts

State per pupil payments to school districts for operating expenses have always varied according to (1) the wealth of the district and (2) the special circumstances experienced by some districts. Under both the school funding system in place prior to the 1998 enactment of Am. Sub. H.B. 650 and Am. Sub. H.B. 750 and the new system established by those two acts (hereafter referred to as

"the new system"), state operating funding for school districts is divided primarily into two types: base-cost funding and categorical funding.

Base-cost funding

Base-cost funding can be viewed as the minimum amount of money required per pupil for those expenses experienced by all school districts in the state on a somewhat even basis. The primary costs would be such things as teachers for basic curriculum courses, textbooks, janitorial and clerical services, administrative functions, and student support employees such as school librarians and guidance counselors.

Equalization

In the new funding system, as well as in portions of the old system, state funds are used in some manner to "equalize" school district revenues. Equalization means using state money to ensure that all districts, regardless of their property wealth, will have an equal amount of combined state and local revenues to spend for something. In an equalized system, poor districts receive more state money than wealthy districts in order to guarantee the established minimum amount for all districts.

Base-cost funding--state and local shares

The new system (as with the old one) essentially equalizes 23 mills of property tax for base-cost funding. It does this by providing sufficient state money to each school district to ensure that, if all districts in the state levied exactly 23 mills, they all would have the same per pupil amount of base cost money to spend (adjusted partially to reflect the cost of doing business in the district's county).[1] To accomplish this equalization, the base cost formula uses five variables to compute the amount of state funding each district receives for its base cost:

(1) The stipulated amount of funding that is guaranteed per pupil in combined state and local funds (formally called the "**formula amount**"). The formula amount for the current fiscal year, FY 1999, is $3,851 per pupil.

(2) An adjustment to the formula amount known as the "**cost-of-doing-business factor**." This variable is a cost factor intended to reflect differences in the cost of doing business across Ohio's 88 counties. Each county is assigned a factor by statute ranging from 1.00 (currently assigned to Gallia County) to 1.11 (currently assigned to Hamilton County). The formula amount is multiplied by the

[1] *One mill produces $1 of tax revenue for every $1,000 of taxable property valuation.*

cost-of-doing-business factor for the appropriate county to obtain the specific guaranteed per pupil formula amount for each school district. For example, the FY 1999 formula amount for school districts in Hamilton County was actually $4,275 (an increase of 11% over the phase-in formula amount of $3,851).[2]

(3) A number called the "**formula ADM**," which roughly reflects the number of students enrolled in the district.

(4) The **total taxable dollar value of real and personal property** subject to taxation in the district, adjusted in some cases to reflect lower levels of income wealth and to phase-in increases in valuation resulting from a county auditor's triennial reappraisal or update.

(5) The **local tax rate**, expressed in number of mills, assumed to produce the local share of the guaranteed per pupil funding. The tax rate assumed is currently 23 mills, although the law only requires districts to actually levy 20 mills to participate in the school funding system.

Each district's state base-cost funding is computed first by calculating the amount of combined state and local funds guaranteed to the district. This is done by adjusting the formula amount for the appropriate cost-of-doing-business factor and multiplying the adjusted amount by the district's formula ADM. Next, the assumed "local share" (commonly called the "charge off") is calculated by multiplying the district's adjusted total taxable value by the 23 mills attributed as the local tax rate. This local share is then subtracted from the guaranteed amount to produce the district's state base-cost funding.

Sample FY 1999 calculation. If Hypothetical Local School District were located in a county with a cost-of-doing-business factor of 1.025 (meaning its cost of doing business is assumed to be 2.5% higher than in Gallia County, the lowest cost county), its formula ADM were 1,000 students, and it had an adjusted valuation of $40 million, its FY 1998 state aid amount would be $3,027,000, calculated as follows:

$3,851	FY 1999 phase-in formula amount
x 1.025	District's cost-of-doing-business factor

[2] *An increase in the variance in the cost-of-doing-business factors from 11% to 18% is being phased in. For FY 2000, the variance will increase to 12.4% and in FY 2001, it will be 13.8%. The phase-in will be complete in FY 2004. See the table under "**The bill continues phase-in of new system**," below).*

$3,947	District's adjusted FY 1999 formula amount
x 1,000	District's formula ADM (approximate enrollment)
$3,947,000	District's FY 1999 base cost amount
- $920,000	District's charge off (assumed local share based on 23 mills (2.3%) charged against the district's $40 million in adjusted property valuation)
$3,027,000	**District's FY 1999 state payment toward base cost amount**
77%	District's state share percentage (percent of total base cost paid by state: $3,027,000 ÷ $3,947,000)

How the base cost formula amount was established

The primary difference between the old system and the new system in calculating base-cost funding is that the per pupil guaranteed state and local amount under the old system was stated in statute without any specific method of selecting the amount. The new system bases the per pupil amount on a study of the actual average base costs of school districts found to meet all but one of the new state effectiveness standards (after removing the highest and lowest wealth districts from the computation). Using this calculation, the new system established a formula amount of $4,063 for FY 1999, which was adjusted for inflation at 2.8% each year and then phased-in over a four-year period. For FY 1999, the phase-in formula amount was $3,851.

Equity aid phase-out

The old system paid a second tier of state aid to school districts whose property wealth fell beneath an established threshold. This "equity aid" was paid beginning in FY 1993 as an add-on to the state base cost (then called "basic aid") funding. The new system phases out equity aid by reducing the number of districts receiving the subsidy and decreasing the number of extra mills equalized under it for each fiscal year through FY 2001. Beginning in FY 2002, no more equity aid is scheduled to be paid.

The bill continues phase-in of new system

The bill continues for FY 2000 and FY 2001 the phase-in of the new base-cost funding system. The phase-in for the entire six-year period is illustrated in the following table:

Fiscal Year	Base Cost of Education	Formula Amount	% of Base Cost in Formula Amount	Variance in Cost-of-Doing-Bus. Factors	# of School Districts Eligible for Equity Aid	Additional Mills "Equalized" by Equity Aid
FY 1998	-----	$3,663	-----	9.6%	292	13
FY 1999	$4,063	$3,851	94.78%	11.0%	228	12
FY 2000	$4,177	$4,038	96.67%	12.4%	162	11
FY 2001	$4,294	$4,226	98.42%	13.8%	117	10
FY 2002	$4,414	$4,414	100%	15.2%	0	0
FY 2003	$4,538	$4,538	100%	16.6%	0	0
FY 2004	$4,665	$4,665	100%	18.0%	0	0

Categorical funding

Categorical, or add-on, funding is a type of funding the state provides school districts in addition to base-cost funding. It can be viewed as money a school district requires because of the special circumstances of some of its students or the special circumstances of the district itself (such as its location in a high cost area of the state). Some categorical funding, namely the cost-of-doing-business factor and the adjustments to local property value, is actually built into the base-cost formula. But most categorical funding is paid separately from the base cost, including:

(1) Special education additional weighted funding, which pays districts a portion of the additional costs associated with educating children with disabilities;

(2) Gifted education funding, which provides funds to districts for special programs for gifted children;

(2) Disadvantaged Pupil Impact Aid, or "DPIA," which provides additional state money to districts where the proportion of low-income students receiving public assistance through the Ohio Works First program is a certain percentage of the statewide proportion;

(4) Transportation funding, which reimburses districts a portion of their costs of transporting children to and from public and private schools; and

(5) A driver education subsidy of $50 per driver education student.

Categorical funding--state and local shares of special education costs

The old school funding system did not equalize categorical funding. The new system introduced equalization for special education funding (but no other types of categorical funding) by requiring a state and local share for the additional costs. This is determined for each district from the percentage of the base cost amount supplied by each. For instance, if the state pays 55% of a district's base cost amount and the district supplies the other 45%, the state and local shares of the additional special education funding likewise are 55% and 45%, respectively. The state pays the district 55% of the additional categorical funding for special education.

State gap revenue covers local share when local revenue insufficient

For a number of reasons, some school districts will not have sufficient local revenue to cover their local share of base-cost funding or their local share of the calculated additional special education amount. The new system requires the state make up the difference between their calculated local shares of base costs and special education and their actual local property and income tax revenue.

State funding guarantee

The new education funding system guarantees every school district with a formula ADM over 150 that it will receive a minimum amount of state aid based on its state funds for FY 1998, the last year of the old system. The guaranteed amount is the *lesser* of (1) the aggregate state funds received in FY 1998 or (2) the amount it would receive if its *per pupil* amount of FY 1998 state funds were multiplied by its current-year formula ADM. The state funds guaranteed include base-cost funding, special education funding, vocational education funding, gifted education funding, DPIA funds, equity aid, state subsidies for teachers with high training and experience, and state "extended service" subsidies for teachers working summer school.

Temporary state funding cap

Most school districts, though, have experienced increases in their state funding from FY 1998. As part of the phase-in to the new system, the law temporarily limits school districts' increases in most state funds, including transportation subsidies, to 10% over their previous year's aggregate state payment or 6% over their previous year's per pupil amount of state funds, whichever is greater. This cap applies every year through FY 2002. It no longer applies after June 30, 2002.

The bill adds vocational education costs as categorical funding

(substantive changes: secs. 3317.014, 3317.022(E), and 3317.0216)

(technical/conforming changes: secs. 3317.02(F) and (J), 3317.023(A)(4), 3317.0212, 3317.03, 3317.033, 3317.05, and 3317.051)

The new school funding system ended a procedure of funding school districts' vocational education programs separately from the base-cost formula. Instead, it counts vocational education students in formula ADM and funds them through the base cost formula. It supplies no other additional per pupil funding for vocational education, although the General Assembly appropriated about $24.2 million in FY 1999 as "vocational education enhancements," which was paid to districts to help with such costs as repairing and replacing equipment for their vocational education programs.

The bill keeps vocational education students in the base cost formula ADM, but establishes a new add-on formula for paying a per pupil amount for vocational education on top of the amount generated by vocational students in the base cost formula. Following the new system's example of weighted funding for special education costs for disabled students, districts will receive additional funds for vocational education based on the calculation of additional weights for students utilizing these categories of services.

Weights are an expression of additional costs attributable to the special circumstances of the students in the weight class. The weight is expressed as a percentage of the formula amount. For example, a weight of .25 indicates that an additional 25% of the formula amount (or, about $1,000 more dollars for FY 2000) is necessary to provide additional services to a student in that category.

The weights assigned by the bill are:

(1) .60 for students enrolled in vocational education job-training and workforce development programs approved by the Department of Education;

(2) .30 for students enrolled in other types of vocational education classes.

The total calculated amount is the sum of the weights for all the students in the two weight classifications multiplied by the formula amount (*not* adjusted for the cost-of-doing-business factor). The formula is:

state share percentage x (formula amount x total vocational education weight)

Vocational education funding--state and local shares

As this formula indicates, equalization is another characteristic of the new system that the bill applies to its vocational education formula. The amount actually paid to each district will be its state share percentage of the total amount calculated with the weights. This is the same procedure currently followed for special education funding.

The state share is the percentage of the district's *total base-cost funding* (formula amount x cost-of-doing-business factor x formula ADM) that is paid by the state. If, for example, about 50% of a district's base-cost funding is paid by the state, the state will similarly pay 50% of the district's vocational education costs.

State gap revenue to cover local share when district revenues insufficient

(sec. 3317.0216)

As the new funding system already does for the local shares of base-cost funding and special education funding, the bill guarantees state funds to cover any shortfall between the calculated local share of vocational education costs and the actual available school district tax revenues.

Vocational education add-on payments not counted in state funding cap

Unlike other kinds of categorical funding, the bill's new add-on payments for vocational education costs are *not* counted in the state funding cap in effect through FY 2002.

Gifted education funding

(substantive changes: secs. 3317.022(F), 3317.024(P), and 3317.05(F))

(technical/conforming changes: secs. 3313.21, 3317.051, 3317.082, 3317.11, and 3317.162; Section 18 of H.B. 650)

The new funding system temporarily retained, for FY 1999 only, the system of providing state funding for gifted education through "units." The General

Assembly stated in H.B. 770 that a new method would be implemented beginning in FY 2000.

Background: gifted education units

A "unit" is a group of students receiving gifted education programs. In FY 1999, school districts and educational service centers could apply for gifted units and, if it was awarded any in FY 1999, received for each unit the sum of:

(1) The annual salary the gifted teacher would receive if he or she were paid under the state's minimum teacher salary schedule (sec. 3317.13, not in the bill) for a teacher with his or her training and experience;

(2) An amount (for fringe benefits) equal to 15% of the salary allowance;

(3) A basic unit allowance of $2,678; and

(4) A supplemental unit allowance of (a) a percentage of $5,176, partially depending on the state share percentage of base-cost funding, in the case of school districts, or (b) $3,251 in the case of educational service centers.

Except for the supplement unit allowance, state unit funds are not equalized to reflect district wealth. And not all school districts and service centers eligible for gifted units receive them.

The bill's new gifted education funding formula

The bill establishes a new formula for calculating state gifted education funding for all school districts, requires that the amounts actually paid be equalized to reflect wealth differences, and proposes no state gifted funding for educational service centers.

The formula for calculating gifted funding is: 10% of the base cost formula amount times 10% of the formula ADM. This could be interpreted as assuming that gifted programs cost 10% more than the cost of a basic education, and that 10% of a district's enrollment will tend to be gifted. The calculated amount for a hypothetical school district with 1,000 students, for example, would be $40,380 in FY 2000 (10% of the $4,038 formula amount x 100 students) and $42,260 in FY 2001 (10% of the $4,226 formula amount x 100 students).

But as the new system already does in the case of the additional payments for special education and the bill proposes to do with vocational education, the bill equalizes the actual gifted funds paid to reflect district wealth, using the base cost state share percentage. This means that the wealthiest districts that would receive

no state funds under the base cost formula because their local share covers the entire per pupil formula amount would also receive no state gifted funds. (If, however, such a district received a state-funded gifted unit in FY 1999, it is guaranteed to receive in FY 2000 and FY 2001 a percentage of the state funds it received in the unit in FY 1999. See "***Gifted guarantee***," below.) If the hypothetical school district in the above example has a state share percentage of 60%, its actual payment of gifted funds would be $24,228 in FY 2000 and $25,356 in FY 2001, unless it was entitled to more under the gifted guarantee.

Gifted guarantee

(sec. 3317.022(F)(2))

Despite the equalization requirement, the bill guarantees each district that received gifted units in FY 1999 that it will receive:

(1) In FY 2000, at least 75% of its FY 1999 state gifted funds; and

(2) In FY 2001, at least 65% of its FY 1999 state gifted funds.

District plan for gifted programs

(sec. 3317.022(F)(3))

As a condition of receiving state gifted funds, the bill requires each district to file with the Department of Education, no later than October 1 each year, a district plan specifying (1) the manner in which it will use the funds to serve gifted students and (2) the method for selecting gifted students to participate in gifted programs and activities.

Gifted funds are subject to the temporary state funding cap

(Section 18 of H.B. 650)

As with state gifted units in FY 1999, state gifted funds paid in FY 2000 through FY 2002 are counted under the basic aid cap imposed by H.B. 650. This cap limits each district's increase in basic state education funds each year through FY 2002 to the greater of 10% over the previous year's aggregate amount or 6% over the previous year's per pupil amount.

DPIA funding for "third grade guarantee"--average teacher salary

(sec. 3317.029)

The new school funding system completely revised DPIA (disadvantaged pupil impact aid) and based the distribution of funds on each school district's concentration of children receiving public assistance *relative to* the concentration of such children throughout the state. Under the new system, if a district's DPIA index is greater than 0.60 (meaning its proportion of children receiving public assistance is greater than 60% of the statewide proportion), it may receive a payment based on the amount of money it would take to hire additional teachers to reduce class sizes in kindergarten through third grade. The amount provided varies on a sliding scale, increasing as the districts' DPIA index increases.

One of the components of the formula for calculating this "third grade guarantee" is the statutorily designated statewide average teacher salary amount. Under current law, this amount is established at $39,092. The bill increases this amount to $40,187 for FY 2000 and $41,312 for FY 2001, thereby increasing the calculated third grade guarantee funds for all eligible districts in each year of the biennium.

Transportation funding

(substantive changes: sec. 3317.022(D))

(technical/conforming changes: secs. 3317.02(J) and (K), and 3317.0212; Section 18 of H.B. 650)

Background: phase-in of current transportation funding formula

In FY 1998, under the old school funding system, state payments to school districts for transportation averaged 38% of their total transportation costs. The new system not only established a new transportation funding formula, but commenced a phase-in that, by FY 2003, will result in the state paying districts 60% of the amount calculated by the formula. These payments are not equalized for district wealth.

The bill's new transportation formula

The bill retains this schedule for phasing in the percentage of the formula calculation the state will pay, and continues the policy of not equalizing transportation payments. But it substitutes a completely new formula that is based on the statistical method of multivariate regression analysis.[3]

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[3] *Regression analysis is a statistical tool that can explain how much of the variance in one variable (in this case, transportation costs from district to district) can be explained*

Under this new formula, each district will have its payment for transportation of students on school buses based on (1) the number of daily bus miles traveled per day per student and (2) the percentage of its student body that it transports on school buses, whether the buses are owned by the district board or a contractor.[4] The Department of Education is to update the values for the formula each year based on analysis of transportation data from the previous fiscal year. As under current law, the Department must apply a 2.8% inflation factor to the cost data.

As under current law, the Department is to pay each district 52.5% of the formula calculation in FY 2000 (up from 50% of the current formula in FY 1999) and 55% of the calculation in FY 2001.

Transportation guarantee for FY 2000

(sec. 3317.022(D)(4))

Despite the increasing percentage, the bill guarantees that each district will receive in FY 2000 at least the amount it received for transportation in FY 1999. This appears to be, in effect, a one-year continuation of the FY 1999 transportation guarantee, which entitled districts to receive under the current formula in FY 1999 no less than they received from the old formula in FY 1998. There is no guarantee for FY 2001.

New rough road subsidy

(sec. 3317.022(D)(5) and (6))

In addition to its new formula, the bill establishes a new subsidy targeted at districts where there are relatively high proportions of rough road surfaces. Specifically, a district is eligible for the additional funds if *both* of the following apply:

(1) Its county "rough road percentage," is higher than the state average "rough road percentage." The rough road percentage is the proportion of the

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by variance in other variables (here, number of bus miles per student per day and the percentage of students transported on buses).

[4] *The bill presents the following model of the formula based on an analysis of FY 1997 transportation data: 50.67477 + (140.94357 x daily bus miles per student) + (108.36864 x transported student percentage). Payments for FY 2000 are to be calculated on a similar formula updated to reflect analysis of FY 1999 data.*

mileage of state, county, municipal, and township roads in the district's county that is rated by the Ohio Department of Transportation as Type A, B, C, E2, or F.

(2) In addition its "student density" must be lower than the statewide student density. Student density is the number of students divided by the number of square miles in the district.

The highest possible subsidy is 55¢ per bus mile traveled in a year on rough roads. But the actual amount paid will vary per eligible district, depending on its rough road percentage and student density. The subsidy decreases for districts with lower rough road percentages and higher student densities.

State funding cap

As under current law, state money paid under the new transportation formula and the new rough road subsidy are counted in the temporary state funding cap in effect through FY 2002.

Temporary prohibition of driver education subsidy

(Section 4.10)

The board of education of each school district, including a joint vocational school district or a cooperative education school district, is authorized but not required to offer driver education to its students. Students may also enroll in a course offered by a commercial driver training school licensed by the Director of Public Safety. The Department of Education currently must pay to a school district $50 for each student in the district who enrolls in and completes a driver training course, whether offered by the district or a commercial school. The subsidy may also be claimed for any student of a chartered nonpublic school living in the district who completes a driver training course offered by a commercial school. The district is required to pay the $50 subsidy claimed for a student to the commercial driver training school if the services are provided by such a school.[5]

The bill prohibits the Department from making any driver education subsidy payments in fiscal years 2000 and 2001. It would not restrict the use of any available federal funds that legally may be used for such purpose; however, the bill

[5] *See secs. 3301.17 (not in the bill), 3317.024(I), and 3317.19 (not in the bill).*

also does not contain any line item for appropriation of moneys for federal driver education projects.[6]

Repeal of small district aid

(repealed sec. 3317.0214)

Under current law, any district with fewer than 1,000 students in formula ADM and an average taxable value of $85,000 per pupil or less is entitled to a payment of $50 times the number of students fewer than 1,000.

The bill repeals this subsidy.

STATE FUNDING FOR JOINT VOCATIONAL SCHOOL DISTRICTS

Background--current JVSD funding

The new education funding system did not change the method of funding joint vocational school districts (JVSDs).[7] Accordingly, under current law, JVSDs receive state unit funding for approved vocational education units, special education units, and supervisor and coordinator (also known as related services) units.[8] They do not receive gifted education units.

JVSDs are not eligible for base-cost funding, but some equalization of voted millage occurs through a formula that partially equalizes vocational units. This formula essentially ensures that every approved vocational unit in a JVSD is worth (in addition to the unit funding received for the unit) $23,000 in combined

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[6] *The budget act for the 1997-1999 biennium contains a line item appropriation for federal driver education projects in the amount of $84,500 for each fiscal year of the biennium (Section 50 of Am. Sub. H.B. 215 of the 122nd G.A., effective June 30, 1997).*

[7] *A joint vocational school district is a school district formed by a group of city, local, or exempted village school districts to offer vocational education to students of all the participating districts. JVSD school boards are generally composed of members of the school boards of the constituent districts.*

[8] *Essentially, for each approved unit, a JVSD received the minimum teacher's salary (based on years of experience and level of education) for the teacher of the unit plus 15% of that salary allotment for benefits. In addition, for each unit, the JVSD received a basic unit allowance of: $9,510 (for vocational education units); $8,023 (for special education units); and $2,132 (for supervisor and coordinator or related services units) plus a supplemental unit allowance of $7,227 for each vocational unit, $7,799 for each special education unit, and $2,966 for each supervisor or coordinator (related services) unit.*

state and local funds. The local share is one mill times the total taxable valuation of all the property in the JVSD's territory (unadjusted for reappraisals or for the income of the residents of the JVSD's territory). The state share is obtained by subtracting the local share from an amount equal to the number of approved units times $23,000.

JVSDs also receive categorical aid for driver education, adult education, and an allotment for academic courses other than vocational education courses.

The bill's new system for state funding for JVSDs

(substantive changes: sec. 3317.16)

(technical/conforming changes: secs. 3317.014, 3317.02, 3317.03, 3317.024, and 3317.161)

Base-cost funding--calculation of state share for JVSDs

The bill provides funding for JVSDs in a manner closely paralleling the base-cost funding mechanism for all other school districts. JVSDs would receive base-cost funding utilizing the same per pupil formula amount as is used for other districts. That is, for FY 2000, JVSDs would be guaranteed $4,038 per student ($4,226 for FY 2001) multiplied by the cost-of-doing-business (CODB) factor for the county where the JVSD's largest school is located. The total guaranteed base-cost funding would be the formula amount (adjusted for CODB) multiplied by the formula ADM (which JVSDs would have to report in generally the same manner as school districts currently report it).

A local share of each district's base-cost funding would be calculated by multiplying 6.5 mills (or .0065) times the combined adjusted total taxable values of the various school districts in the JVSD (that is, the adjusted taxable value of each individual school district comprising the JVSD district is summed to form the overall adjusted total taxable value of the JVSD). Subtracting the local share from the base-cost funding total produces the state base-cost funding for the JVSD for that fiscal year. The base cost formula for JVSDs reads:

(formula amount x cost-of-doing-business factor x formula ADM) minus
(.0065 x adjusted total taxable value)

Categorical funding

As is the case for other school districts, JVSDs would no longer receive units for vocational education, special education, and supervisor and coordinator (related services) units. Instead, like other districts, JVSDs would receive

additional funds for vocational education and special education (including related services) based on the calculation of additional weights for students utilizing these categories of services. They also would receive weighted gifted education funds on the same basis as other school districts.

JVSD special education funding. Like other school districts, JVSD students receiving special education would be assigned to one of the three existing weight categories.[9] As with all other school districts, the total calculated amount is the sum of the weights for all the students in the weight classifications multiplied by the formula amount (*not* adjusted for the cost-of-doing-business factor). Also like other school districts, the state pays its percentage, with the rest comprising the local share. The formula is:

state share percentage x (formula amount x total special education weight)

Related services expenditures. Like other school districts, JVSDs would have to spend a portion of its special education funds for related services.[10] The required amount they must spend is the lesser of:

(1) The amount they spent on related services the prior year; or

(2) 1/8th of the total state and local funds attributed by the system to base cost and weighted funding for the district's special education students.

JVSD funding for vocational education. As mentioned above, under the bill, all school districts would begin receiving vocational education funding in a manner similar to the funding for special education and related services. The same

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[9] *The special education weight categories (unchanged by the bill) are: (a) .22 for students identified as specific learning disabled, other health handicapped, or developmentally handicapped, and (b) 3.01 for students identified with any other handicap, including hearing handicapped, orthopedically handicapped, vision impaired, multihandicapped, and severe behavior handicapped. The state will also pay the state share percentage of any amounts over $25,000 spent for a student who is autistic, both visually and hearing impaired, or suffers from traumatic brain injury, although it is not clear that the bill's language qualifies JVSDs for this additional "catastrophic costs" subsidy.*

[10] *"Related services" is defined in current law for other school districts (and for JVSDs in the bill) to include the supervisors and coordinators that were included under the prior law's related services units as well as such other special student services as speech and hearing services, occupational and physical therapy, interpreter services, nursing services, behavioral intervention, audiological, and psychological services (sec. 3317.022(B)(3)).*

two weight classes for vocational education students that are assigned to school district students would also be assigned to JVSD students. (See "***The bill adds vocational education costs as categorical funding***," above.)

state share percentage x formula amount x total vocational education weight

JVSD funding for gifted education. The new gifted formula for other school districts would also apply to JVSDs, which become eligible for state gifted funding for the first time. Gifted funding for each JVSD equals the district's state share percentage times 10% of its formula amount ($403.80 for FY 2000) times 10% of its formula ADM. Like other school districts, a JVSD could not receive any gifted money unless by October 1, it reported to the Department of Education both its plan for providing services to gifted students and its method for identifying the students who will benefit from those services.

Other JVSD funding changes

Under the bill, JVSDs would no longer receive a subsidy for drivers' education, but would continue to receive the same type of funding for adult technical and vocational education and specialized consultants as under current law.

JVSD state funding guarantee

All JVSDs are guaranteed under the bill to receive in FY 2000 and FY 2001 the amount of state funding they received in FY **1998** for unit funding, equalization of vocational units, adult education, drivers' education, and academic units.

JVSDs not subject to state funding cap

JVSDs would not be subject to the 10% (or 6% per student) annual limit on state aid increases.

COMMUNITY SCHOOLS

Background

Community schools, more popularly known as "charter schools," are public schools established to operate independently of any school district. There are two possible kinds of community schools: "start-up" schools, which are new schools, and "conversion" schools, which are existing public schools that school districts

have consented to converting to community schools. But there currently are no conversions schools operating.

State law currently provides separate mechanisms for establishing community schools in Lucas County, where a pilot project is operating, and the rest of the state.

Community schools in academic emergency districts

(sec. 3314.02)

Under current law, new pilot project start-up community schools may be started in any of the eight school districts in Lucas County (under certain circumstances the actual facility may be located outside Lucas County, but the students eligible to attend are those otherwise attending Lucas County schools). These schools only have current authorization to operate through FY 2003 (Section 50.52 of Am. Sub. H.B. 215, not in the bill).[11] Regular (that is, non-pilot project) start-up community schools may be started within the boundaries of any of the Big 8 school districts (except Toledo, where only pilot project schools may be started).[12] An existing public school may be converted to a community school in any school district in the state (R.C. Chapter 3314.).

The bill permits new start-up schools to be established permanently in any of the eight Lucas County school districts and in any other school district in the state declared by the Department of Education to be in a state of academic emergency.[13] The bill specifies that if a new start-up school is established in an academic emergency school district, the school may continue to exist after the school district is no longer in a state of academic emergency.

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[11] *The Lucas County pilot project schools have authority to operate until June 30, 2003. No more than 20 start-up pilot project schools may be in existence at any one time in the Lucas County area and no start-up or conversion school may begin operation after June 30, 2000.*

[12] *The Big 8 school districts are the Akron, Canton, Cleveland, Columbus, Cincinnati, Dayton, Toledo, and Youngstown city school districts.*

[13] *No school districts have officially been designated as academic emergency districts at this time. The Department is to begin determining the status of districts in FY 2000 and every three years afterward. A preliminary rating by the Department, based on FY 1997 data, identified 50 school districts, in addition to the Big 8, as potentially being academic emergency school districts.*

Community schools' admission of students from outside district

(secs. 3314.03, 3314.06, and 3314.08)

Under current law, community schools within the Lucas County pilot project may admit students from any of the school districts with territory primarily in Lucas County. However, admission to community schools in all other parts of the state is limited to students living within (or entitled to attend school in) the school district where the community school is established. The bill allows permanent (that is, non-pilot project) community schools, at the discretion of their governing authorities, to admit students from outside the district where the school is located.

Under the bill, the contract between the community school and its sponsor must contain a provision requiring the governing authority to make a decision either to admit only students within the district where the school is located, or to admit students from outside that district. If the decision is to admit students from outside the district, admission may be restricted either to students residing in an adjacent district or students from anywhere in the state (these are the same admission classifications that school districts have for interdistrict open enrollment).

Current law requires community schools that receive more applications than they can admit due to space limitations to admit students by lot, except preference must be given to students attending the school the previous year. The bill adds that preference must be given to students residing in the district in which the school is located. As under current law, preference *may* also be given to siblings of students who attended the school during the previous year.

Community school funding

(sec. 3314.08)

The bill makes technical changes in the section providing funding for community schools to clarify that the school district where the student is entitled to attend school under current school district tuition law is the district from which the community school's funding will be deducted, regardless of where that district is located.

The bill also revises community schools' funding pertaining to gifted students to reflect the bill's overall change from unit to weighted funding. Under the bill, community schools could apply to the Department of Education for any gifted funding the school "would receive if it were a school district." Presumably,

this means the school could receive 10% of the formula amount for up to 10% of its students (there is no local share for community schools since they have no tax base). The bill would not deduct the gifted money from any school districts, presumably because the money would not be associated with any particular students and could not be tracked to the appropriate district.

Transportation to community schools

(sec. 3314.09; Section 50.52.11 of H.B. 215)

The bill changes a school district's requirements to provide transportation for students enrolled in community schools. The bill's requirements for transportation of these students are the same as the requirements under current law for the transportation of students to nonpublic schools.

Under the bill, school boards must transport students who reside in its district to community schools located in its district or in another district on the same basis that the board provides transportation to its students who are enrolled in the regular public schools (that is, at the same grade level and living the same distance from school). Transportation is not required if, in the judgment of the district board, confirmed by the State Board of Education, the transportation is unnecessary or unreasonable. A district is not required to transport nonhandicapped students to and from a community school located in another school district if the transportation would require more than 30 minutes of travel time. Instead of providing transportation, a district may pay an amount as specified in the bill to a parent, guardian, or other person in charge of the child for transporting that child.

STATE CAPITAL FUNDING FOR SCHOOL BUILDINGS

Background

Under the Classroom Facilities Assistance Program, the state pays part of the costs of constructing classroom facilities for certain school districts.[14] Administered by the Ohio Classroom Facilities Commission, the program is a graduated cost sharing program where the state and school district shares are based

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[14] *The term "classroom facilities" is defined as "rooms in which pupils regularly assemble in public school buildings to receive instruction and education and such facilities and building improvements for the operation and use of such rooms as may be needed in order to provide a complete educational program, and may include space within which a child day-care facility or a community resource center is housed" (sec. 3318.01(B)).*

on the relative wealth of the district. Under this program, the poorest districts are served first and receive a greater amount of state assistance than the wealthier districts will receive when it is their turn to be served. A qualifying school district is responsible for paying its portion of the project with its own bond issue and an accompanying property tax levy to pay the annual service charges on those bonds. In addition, a school district must levy a separate half-mill property tax for up to 23 years to pay for maintenance on the facilities constructed.[15] If the voters of the district do not approve the bond issue and tax levies, the district cannot participate in the program. Release of the state's share of the project cost is subject to Controlling Board approval. The state's share of these cost-sharing projects is funded either with cash or with bonds issued by the state treasurer. The annual debt service on the state-issued bonds has been largely paid with lottery profits.[16]

Calculation of the wealth of a district

(secs. 3318.01, 3318.011, and 3318.06)

To determine the wealth of a school district, the Department of Education is required to annually calculate the adjusted valuation per pupil of each district, rank order each district from lowest to highest, and divide the districts into percentiles. The Department is required to report these calculations to the Ohio School Facilities Commission, which uses them to determine a district's eligibility for assistance. A district's percentile rank is used to calculate both its priority for funding and its share of the project costs.[17]

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[15] *If in any year a school district has an adjusted valuation per pupil above the statewide median, the proceeds from the district's half-mill tax must be divided evenly between maintenance of the facilities and payments to the state (sec. 3318.06(C)(2)).*

[16] *The Ohio Constitution earmarks all the lottery profits for the support of elementary, secondary, vocational, and special education subject to appropriations of the General Assembly. The statute implementing this provision provides that the first $10 million of lottery profits be devoted to school building assistance bond service. (Sec. 3770.06, not in the bill.) The General Assembly annually has also appropriated additional funds both from lottery profits and the GRF to pay the annual service on state-issued bonds for classroom assistance.*

[17] *The Commission is required to periodically assess the facilities needs of all school districts in the state. Generally, starting with the first five percentiles, the Commission is required to conduct on-site inspections of those districts identified as having facilities needs and to fund at least 80% of the needs within that group before moving to the next group of five percentiles. The law, however, does permit the Commission to extend the on-site inspections to succeeding percentiles through the 25th percentile before funding*

In addition to the calculation requirements under current law, the bill requires the Department of Education to annually calculate the *three-year average* adjusted valuation per pupil of each district and rank order the districts into percentiles based on those figures.

Under the bill, the Commission is required to use the *three-year average* adjusted valuation per pupil figures and resulting percentile ranks rather than the one-year adjusted valuation per pupil figures and resulting percentile ranks, as under current law, to determine a district's eligibility for assistance.

The bill also reiterates the requirement for the Department to make the required calculations under the Classroom Facilities Assistance Law, rather than only in the equity funding law, as currently required.

District share

(secs. 3318.01, 3318.032, 3318.05, 3318.06, 3318.08, and 3318.17)

Under current law, unchanged by the bill, a district's share of the basic project cost is the *greater* of two figures, both based on the wealth of the district.[18] The district's share is either:

(1) An amount that increases the "net bonded indebtedness" of the school district to within $5,000 of its "required level of indebtedness."[19] The required

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80% of the needs of each group if there are funds appropriated but not reserved and encumbered for projects and the Commission finds that the available funds would be more thoroughly utilized if extended to the next highest percentile. (Sec. 3318.02.)

[18] *The "basic project cost" is determined by rule of the Commission. The Revised Code, however, requires that the Commission take into consideration the square footage and cost per square foot necessary for the grade levels to be housed in the classroom facilities, the variation across the state in construction and related costs, the cost of the installation of site utilities and site preparation, the cost of insuring the project until it is completed, and the professional planning, administration, and design fees that a district may have to pay to undertake a classroom facilities project. (Sec. 3318.01(L).)*

[19] *The "net bonded indebtedness" of a school district is the* difference *between:*

(1) The sum of the par value of all outstanding and unpaid bonds and notes of the district, any amounts the district is obligated to pay under a lease-purchase agreement under Revised Code section 3313.375 (not in the bill), and the par value of bonds authorized by district voters but not yet issued and which may be used for the classroom facilities project; and

level of indebtedness for districts in the first percentile is 5% of valuation. For districts in a subsequent percentile, the required level of indebtedness is calculated under the following formula:

.05 + .0002[(the percentile in which the district is ranked) - 1].[20]

(2) An amount equal to the district's "required percentage of the basic project cost." The required percentage of the basic project cost is calculated under the following formula:

.01(the percentile in which the district is ranked.)[21]

The bill specifies that the district's share of the project cost (based on either the district's existing net bonded indebtedness or its required percentage as described above) will be frozen for one year from the date that the Controlling Board approves the project. Thus, if there is any change in the district's wealth pending voter approval of the district bond issue and tax levies within that year's time, these changes will not affect the district's share.

The bill also specifies that the half-mill tax levy required for a school district's participation in the program is "an additional levy" and is to be so noted in the ballot language for the levy (sec. 3318.17).

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(2) The amount held in the sinking fund and other indebtedness retirement funds of the district.

However, (1) notes issued for the purchase of school buses, (2) notes issued in anticipation of the collection of current revenues, (3) bonds issued to pay final judgments, and (4) indebtedness arising from the acquisition of a site for classroom facilities project are not included in the calculation of "net bonded indebtedness." (Sec. 3318.01(F).)

[20] *For instance, the required level of indebtedness for a district in the 11th percentile would be 5.2% (or .05 + .0002(10) = .052); the required level of indebtedness for a district in the 50th percentile would be 5.98% (or .05 + .0002(49) = .0598); and the required level of indebtedness for a district in the 100th percentile would be 6.98% (or .05 + .0002(99) = .0698).*

[21] *For instance, the required percentage of the project costs for a district in the 11th percentile would be 11% (or .01(11) = .11); the required percentage of the project costs for a district in the 50th percentile would be 50% (or .01(50) = .50); and the required percentage of the project costs for a district in the 100th percentile would be 100% (or .01(100) = 1.00).*

Proportionate state and district shares of cost increases

(sec. 3318.083)

Current law, unchanged by the bill, requires that the state's and the district's shares of the basic project cost be deposited into a project construction fund, which may accrue interest during the course of construction. Any interest earned may be used to pay increases in the cost of the project that occur after the project commences. Any amount remaining in the fund at the completion of the project must be returned to the state and district in the same proportion as their contributions to the project.[22]

The bill provides that if the Commission approves an increase in the basic project cost above the amount originally budgeted plus any interest earned and available in the project construction fund, the state and the school district must share these increases in the same proportion as their original contributions to the project.

Commission approval of site for facilities

(sec. 3318.08(Q))

The bill requires that the agreement between the Commission and the school district include a stipulation that the district may not proceed with a project if the Commission determines that the site proposed for the project is not suitable. The bill also authorizes the Commission to conduct soil tests on a proposed site to determine its suitability.

Simplified ballot language

(sec. 3318.06(C) and (D))

Current law provides required ballot language for a school district to use in seeking voter approval of the required bond issue and tax levies. The bill simplifies that language.

Elimination of references to former loan program or "purchase" of facilities from the state

(secs. 3318.05, 3318.06, 3318.08, 3318.081, 3318.082, 3318.13, 3318.14, 3318.15, 3318.16, 3318.18, 3318.21, 3318.25, 3318.26, 3318.27, and 3318.29)

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[22] *See sec. 3318.08.*

As it was originally enacted, the Classroom Facilities Assistance Program was a loan program, where the state loaned the equivalent of the state's share of the project cost to an eligible school district and retained partial ownership of the property until the district's loan was retired (but not to exceed 23 years). Under that program, the school district was required to use the proceeds of the additional (up to) 23-year half-mill property tax to pay off the loan in order to complete the purchase of the facilities from the state. If the loan was still outstanding at the end of the 23-year period, the state was to forgive the rest of the loan and transfer complete ownership of the facilities to the district. In 1996, the General Assembly amended the program to require that the additional half-mill tax be applied to maintenance of the facilities unless the tax is to be divided between maintenance and paying the state. This division of the proceeds occurs in any year that the district's adjusted valuation per pupil is above the statewide median (current law unchanged by the bill).[23] As a result of these amendments the program is no longer a true loan program but a cost-sharing program. The law, however, retains references to loans and to a school district's "purchase" of the facilities from the state. The bill eliminates these references throughout the law, but it also incorporates language that provides that the state continues to hold an interest in the facilities constructed under the program until the obligations issued by *the state* to fund its share of any project are no longer outstanding.

Repeal of ancillary loan program

(secs. 3318.21 and 3318.26, and repealed secs. 3318.23, 3318.24, and 3318.27)

In 1993, the General Assembly created a separate program to assist school districts in the acquisition of permanent improvements.[24] Under that program the Ohio School Facilities Commission is authorized to make loans for additional needed facilities to school districts that can secure the loans with their own general obligation bonds. The state's funding of those loans comes from the School Districts Facilities Fund, which consists of moneys raised by issuance of bonds to be retired with "repayments" by school districts to the Public School Building Fund (GRF fund for the Classroom Facilities Assistance Program), service charges on the loans made under this additional loan program, and any other moneys appropriated or transferred to the fund. In addition, investment income on moneys in the fund are credited to the fund. Apparently, this additional loan program has never been used. The bill repeals the loan program and the several funds associated with it.

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[23] *Am. Sub. H.B. 748 of the 121st G.A., effective August 23, 1996.*

[24] *Am. Sub. H.B. 152 of the 120th G.A., effective July 1, 1993.*

Emergency School Building Repair Program

(sec. 3318.35)

The state provides an additional program to help the state's 292 poorest school districts make emergency repairs to existing facilities. Under this Emergency School Building Repair Program, the state provides money to these low wealth districts to repair existing school buildings for basic maintenance purposes. The permissible repairs under the program include: heating systems, floors, roofs, and exterior doors; air ducts and other air ventilation devices; emergency exit or egress passageway lighting; fire alarm systems; handicapped access needs; sewage systems; water supplies; asbestos removal; and any other repairs to a school building that meet the requirements of the life safety code, as interpreted by the School Facilities Commission.

The bill clarifies that eligibility for funding under this program is based on a district's "current, one-year adjusted valuation per pupil, rather than the three-year average used for the main facilities assistance program."

Exceptional Facility Need Pilot Program

(Section 26 of H.B. 850)

Another special needs program was authorized in the capital appropriations act passed by the 122nd General Assembly. In that act, the General Assembly appropriated $30 million for a pilot project to fund new facilities in districts that have "exceptional need for immediate assistance" and are not expected to be served by the Classroom Facilities Assistance Program before June 30, 2002.

The bill amends that act to clarify that a school district's share of a project funded under this pilot program is the "required percentage of the basic project costs" as defined for purposes of the Classroom Facilities Assistance Program (that is, 1% times the district's percentile rank).[25]

Ohio School Facilities Commission Fund

(sec. 3318.33)

The bill creates a fund in the state treasury named the Ohio School Facilities Commission Fund and authorizes the Commission to use that fund to pay its own personnel and other administrative expenses, to pay the cost of conducting

[25] *See sec. 3318.01(K).*

evaluations of classroom facilities, to pay the cost of preparing building design specifications, to pay the cost of providing project management services, and for other purposes that the Commission determines are necessary to carry out its duties. The fund consists of transfers authorized by the General Assembly and any gifts, grants, donations, and pledges that the Commission is permitted to receive.[26] The fund also consists of investment earnings on moneys in the fund.

The bill also authorizes the Director of Budget and Management to transfer to the Ohio School Facilities Commission fund investment earnings on the Public School Building Fund (GRF fund for the Classroom Facilities Assistance Program) and the School Building Program Assistance Fund (bond fund for the Classroom Facilities Assistance Program).[27]

OTHER PROVISIONS RELATED TO PRIMARY AND SECONDARY EDUCATION

Expansion of voucher programs to other grades

(Section 4.31)

Under the Cleveland pilot project scholarship program (also known as the voucher program), new scholarship students are required to be admitted from only kindergarten through third grade. For FY 1998, however, the biennial appropriations act permitted new scholarships to be awarded to fourth graders as well. In FY 1999, that act also expanded the scope of the program to include new fifth graders. The bill would further expand the program's scope (although not necessarily the total number of new participants) to permit new scholarships to be distributed to sixth grade students in FY 2000 and to sixth and seventh grade students in FY 2001.[28]

Office of school options

(sec. 3314.11)

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[26] *See sec. 3318.31(A)(4), not in the bill.*

[27] *See secs. 3318.15 and 3318.25.*

[28] *The number of students eligible to receive vouchers each year is established by the Department of Education based on the amount of money appropriated for the program. According to the Legislative Budget Office, the appropriation in this bill is intended to allow approximately the same number of new students to enroll in each year of the biennium as enrolled in each of the last two years.*

The bill directs the Department of Education to establish, in place of the current Community School Commission, the State Office of School Options. In addition to taking on the responsibilities of the Community School Commission, the Office is to provide advice and services for the Community Schools program established pursuant to Chapter 3314. of the Revised Code and the Cleveland Pilot Project Scholarship (voucher) program (secs. 3313.974 to 3313.979, not in the bill).

Abolition of Ohio SchoolNet Office and transfer of its functions to Ohio SchoolNet Commission

Ohio SchoolNet Office and Ohio SchoolNet Commission

(sec. 3301.80(A) and (B); Section 32)

Current law establishes the Ohio SchoolNet Office as an independent agency and also establishes the Ohio SchoolNet Commission, which consists of 11 members and is required to monitor and oversee the operations of, and the programs administered by, the Ohio SchoolNet Office. The Commission is authorized to develop and issue policies and directives to be followed by the Ohio SchoolNet Office in implementing the programs under its jurisdiction.

The Ohio SchoolNet Commission is required to appoint a director to supervise the Ohio SchoolNet Office. The director serves at the pleasure of the Commission and is required to direct the Office in the administration of all programs for the provision of financial and other assistance to school districts and other educational institutions for the acquisition and utilization of educational technology.

The bill abolishes the Ohio SchoolNet Office and transfers all of its functions, assets, and liabilities to the Ohio SchoolNet Commission, which becomes successor to, assumes the obligations of, and otherwise constitutes the continuation of the Ohio SchoolNet Office. The Commission is required to perform the Office's current duties. The bill specifies that the Commission is an independent agency and a body corporate and politic, an agency of the state performing essential governmental functions of the state.

Compensation of Commission members

(sec. 3301.80(B)(2))

The bill requires the 11 members of the Commission to serve without compensation. However, the voting member of the Commission appointed by the Speaker of the House of Representatives and the voting member appointed by the

President of the Senate are required to be reimbursed, pursuant to Office of Budget and Management guidelines, for necessary expenses incurred in the performance of official duties.

Executive director

(sec. 3301.80(C)(1))

The bill specifies that the Commission must appoint an executive director to supervise the Commission and direct Commission employees in administering its programs. The executive director of the Commission serves very similar functions to those of the director of the Ohio SchoolNet Office under current law. As is the case with the director under current law, the executive director would serve at the pleasure of the Commission.

Employees

(sec. 3301.80(C)(2) and (3), (D), and (E))

Current law requires the Ohio SchoolNet Office to employ such persons as the director of the Office deems necessary for the implementation of programs under the Office's jurisdiction. The bill instead requires the executive director of the Commission to employ and fix the compensation for such employees as necessary to facilitate the activities and purposes of the Commission. Under the bill, the employees of the Ohio SchoolNet Commission are placed in the unclassified service and serve at the pleasure of the executive director.

Current law provides that for the purposes of exercising collective bargaining rights under the law governing public employees' collective bargaining, the employees of the Ohio SchoolNet Office must be placed in a bargaining unit separate from any other unit containing employees of the state. The bill eliminates this provision and instead exempts the employees of the Commission from the law governing public employees' collective bargaining and specifies that they are not public employees for the purposes of that law.

Transition

(Section 32)

The bill provides for the transition of functions from the Ohio SchoolNet Office to the Ohio SchoolNet Commission. Under the bill, any business commenced, but not completed by the Office or its director on the bill's effective date must be completed by the Commission or its executive director in the same manner, and with the same effect, as if completed by the Office or its director. No

validation, cure, right, privilege, remedy, obligation, or liability is lost or impaired by reason of the transfer and must be administered by the Commission. All of the Ohio SchoolNet Office's rules, orders, and determinations continue in effect as rules, orders, and determinations of the Ohio SchoolNet Commission until modified or rescinded by the Ohio SchoolNet Commission.

Subject to existing law governing lay-offs, all of the employees of the Ohio SchoolNet Office are transferred to the Ohio SchoolNet Commission and retain their positions and all of the benefits accruing to them. The bill requires the Director of Budget and Management to determine the amount of the unexpended balances in the appropriation accounts that pertain to the Ohio SchoolNet Office and to recommend to the Controlling Board their transfer to the appropriation accounts that pertain to the Ohio SchoolNet Commission. The director of the Office must provide full and timely information to the Controlling Board to facilitate this transfer.

The bill specifies that whenever the Ohio SchoolNet Office or its director is referred to in any law, contract, or other document, the reference must be deemed to refer to the Ohio SchoolNet Commission or its executive director, whichever is appropriate. The bill also specifies that no action or proceeding pending on the bill's effective date is affected by the transfer and must be prosecuted or defended in the name of the Ohio SchoolNet Commission or its executive director. In all such actions and proceedings, the Commission or its executive director upon application to the court must be substituted as a party.

Comment

(secs. 125.05, 3301.801, 3317.51, and 3319.235)

Sub. H.B. 147 of the 122nd General Assembly, the effective date of which is March 30, 1999, renamed the Information, Learning, and Technology Authority as the Ohio SchoolNet Commission and renamed the Office of Information, Learning, and Technology Services as the Ohio SchoolNet Office. However, that act failed to change some of the references to the former Authority and former Office. The bill rectifies this oversight by changing all relevant references to references to the Ohio SchoolNet Commission.

School district financial planning and supervision commissions

(secs. 3316.05 and 3316.06)

Current law establishes a financial planning and supervision commission for any school district in which a fiscal emergency has been declared. A

commission must consist of seven voting members: four ex officio members and three appointed members. The bill instead requires that a commission established after July 1, 1999, consist of only five members, two ex officio and three appointed, and alters the required membership of a commission.

Included in the membership of a commission under current law are four ex officio members: the Director of Budget and Management, the Superintendent of Public Instruction, the superintendent of the school district, and the mayor of the municipal corporation with the largest number of residents living within the school district, except that if more than 50% of the residents of the district reside outside the municipal corporation containing the greatest number of district residents or if there is no municipal corporation located in the school district, the county auditor of the county with the largest number of residents living within the school district must serve as a member. Each ex officio member may designate an alternate to attend commission meetings when the member is unable to attend. The bill instead specifies that there must be only two ex officio members, the Director of Budget and Management and the Superintendent of Public Instruction or those members' designees.

Current law stipulates that four members of a commission constitute a quorum and that the affirmative vote of four members is necessary for any action taken by vote of a commission. The bill specifies that three members are necessary for a quorum and that the affirmative vote of three members is necessary for any voted action of a commission. The bill also specifies that the Auditor of State must act as the financial supervisor for the school district (under contract with a commission) unless the Auditor of State provides for the financial supervision through a contract.

Under current law, a school district financial planning and supervision commission must adopt a financial recovery plan regarding the school district for which the commission was established within 60 days after its first meeting. The bill instead requires that the financial recovery plan be adopted within 120 days after the first meeting.

Expanded use of state Auxiliary Services funds for chartered nonpublic school students

(sec. 3317.06)

Current law requires the Department of Education to annually pay school district funds that the school district must use to purchase various secular items

and services for the benefit of students attending chartered nonpublic schools.[29] The bill expands the items that school districts may purchase with state Auxiliary Services funds to lend to such students. It requires districts to purchase and lend secular electronic textbooks, consumable textbooks (presumably workbooks), and text supplements that meet the requirements for approval under current law. The bill specifies that computer software purchased for loan may include site licensing, which would allow multiple users access to the software at one site.

The bill also allows the following items to be purchased for loan as long as they are secular, in general use in the public schools, incapable of diversion to religious use, susceptible of loan to individual students, and furnished for the use of individual students: digital video on demand ("DVD"); wide area connectivity and related technology as it relates to internet access; school library materials; and instructional materials which the bill defines as learning materials including educational resources and services developed by the Ohio SchoolNet Commission.

HIGHER EDUCATION

Income tax deduction for qualified tuition and fees

(sec. 5747.01)

The bill creates an income tax deduction for qualified tuition and fees paid by a taxpayer for the taxpayer or the taxpayer's spouse or dependents to an eligible institution of post-secondary education. Eligible institutions include Ohio state colleges and universities; private, nonprofit schools having a certificate of authorization issued by the Board of Regents; and proprietary schools having a certificate of registration from the Board of Proprietary School Registration. The student must be enrolled in a degree- or diploma-granting program and be an Ohio resident.

Qualified tuition and fees include only charges imposed as a condition of enrollment. They do not include charges for sports, insurance, room and board, or books; nor do they include expenses paid or reimbursed through scholarships or other educational benefit programs.

To claim the credit, the taxpayer must have a federal adjusted gross income not exceeding $100,000, if a joint filer, or $50,000, if a single filer. The credit may be claimed for each student only for the academic equivalent of the first two years of post-secondary education and is limited to $2,500 per student per year and $5,000 per student's lifetime. If the student attends part-time, the credit may be

[29] *Sec. 3317.024(O), not in the bill.*

claimed for up to five years, but the $5,000 lifetime cap still applies. The credit may be claimed only to the extent that qualified expenses are not otherwise deducted or excluded for any taxable year from the taxpayer's adjusted gross income. A taxpayer must add back to Ohio adjusted gross income any reimbursement received of amounts deducted in any prior taxable year to the extent the amount is not otherwise included in Ohio adjusted gross income.

Ohio Instructional Grants (OIG grants)

(sec. 3333.12; Section 7.07)

The Ohio Instructional Grant program provides grants to full-time students in two- or four-year degree programs attending Ohio "state-assisted" (public) or private nonprofit colleges or universities and schools with certificates of registration from the State Board of Proprietary School Registration ("proprietary schools"). No grant may be paid to a person serving a term of imprisonment. Grant amounts are generally based on whether an applicant is financially dependent or independent; the combined family income (if dependent) or the student and spouse income (if independent); the number of dependents; and whether the applicant attends a public, private nonprofit, or proprietary school. The amount of the grant cannot exceed the total instructional and general fees charged by the student's school.

Six separate tables in each fiscal year set forth the grant amounts, one for each category of students as follows: (1) financially dependent students enrolled in private nonprofit institutions, (2) financially independent students enrolled in private nonprofit institutions, (3) financially dependent students enrolled in proprietary schools, (4) financially independent students enrolled in proprietary schools, (5) financially dependent students enrolled in public institutions, (6) financially independent students enrolled in public institutions. Each table has headings for income ranges and the number of dependents in the family, with a grant amount for each income range and family size.

Under current law, the maximum grant amount per academic year is $4,428 for students attending private nonprofit institutions, $3,750 for students attending proprietary institutions, and $1,782 for students attending public institutions. The maximum amount is available to financially dependent students with an income and family size that range from a family income under $11,001 with one dependent to a family income between $14,001 to $15,000 with five or more dependents. For financially independent students, the maximum amount is available to students ranging from those with annual family incomes of $3,601 or less and no dependents to those with an annual income between $5,701 to $6,200 with five or more dependents. The minimum grant amount per academic year under current

law is $720 for students attending private nonprofit institutions, $612 for students attending proprietary institutions, and $294 for students attending public institutions. The minimum grant amount is available to financially dependent students with an income between $29,001 to $31,000 with one dependent. The minimum grant amount for financially independent students is available to a range of students, from those with an income between $12,201 and $13,700 and no dependents to those with an income between $24,201 and $28,900 and five or more dependents.

New grant amounts for FY 2000 and FY 2001

The bill changes the grant amounts by increasing the maximum grant amount available. The minimum grants available under the bill are lower than under the current schedule but are available to students with higher incomes and smaller family sizes. The changes are as follows:

(1) For students attending private nonprofit institutions, the maximum grant amount is increased from $4,428 to $4,644 in FY 2000 and to $4,872 in FY 2001, representing an increase of 4.9% for FY 2000. The minimum amounts are decreased from the current $720 to $378 in FY 2000 and then increased to $396 in FY 2001.

(2) For students attending proprietary institutions, the maximum grant amount is increased from $3,750 to $3,936 in FY 2000 and to $4,128 in FY 2001, representing an increase of about 5% for FY 2000. The minimum grant amount is reduced from the current $612 to $324 in FY 2000 and then increased to $336 in FY 2001.

(3) For students attending public institutions, the maximum grant amount is increased from $1,782 to $1,866 in FY 2000 and to $1,956 in FY 2001, representing an increase of 4.7% in FY 2000. The minimum amounts are changed from the current $294 to $156 in FY 2000 and $162 in FY 2001.

New income levels

The bill increases the maximum income levels for grant eligibility. Specifically, the maximum eligible income for financially dependent students increased by $5,000 in FY 2000 and another $1,000 in FY 2001. The maximum income for financially independent students increased $5,000 in FY 2000 and by an additional $600 for FY 2001. The income ranges for a maximum grant are raised by $1,000 in each fiscal year for financially dependent students and by $300 in each fiscal year for financially independent students.

Year-round grants and other program changes

The bill makes the grants available year-round by deleting the current language that limits grants to two semesters, three quarters, or the equivalent of an academic year. The maximum grant for a fourth quarter is established as one-third of the maximum amount prescribed for an academic year and the maximum amount for a third semester is one-half of the maximum amount for an academic year.

The bill deletes some specified exemptions that may be taken when computing eligible income and gives the Board of Regents authority to designate exclusions from income. The bill changes the method of verification of family income from the current requirement of a copy of the federal income tax form to a method under which the university verifies the income using the federal financial aid eligibility verification process. The board may, as under current law, designate another satisfactory means of verifying income.

Student choice grants

(sec. 3333.27)

Student Choice Grants are available to students who are enrolled full-time in bachelors degree programs at nonprofit Ohio institutions of higher education and who maintain academic records that meet the standards set by the Board of Regents. Under current law, the grants are not available to students pursuing a course of study leading to a degree in theology, religion, or other field of preparation for a religious profession. The bill eliminates the prohibition against grants for religious studies, provided the course of study leads to an accredited bachelor of arts or bachelor of science degree, thereby making Student Choice Grants similar to Ohio Instructional Grants which, under current law, are available for religious studies leading to such degrees.

War orphans scholarship

(sec. 5910.032)

Current law establishes several categories of eligibility for recipients of a war orphans scholarship. Included is the child of a parent who was declared to be a prisoner of war or missing in action as a result of armed conflict occurring on or after January 1, 1960, if the parent, at the time of entry into the armed services or at the time the parent was declared to be a prisoner of war or missing in action, was a resident of Ohio. The bill extends eligibility to the child of such a prisoner of war or person who was missing in action, but who was not a resident of Ohio, if

the child has resided in Ohio for the year immediately preceding the year in which the application for the scholarship was made and any four of the "last" ten years.

University dormitory occupancy rates and enrollment audits

(sec. 3333.04)

The bill requires the Ohio Board of Regents to monitor the occupancy rates of state university dormitory systems to identify circumstances in which a university's financial stability could be threatened by debt service and plant maintenance costs. In conjunction with its biennial appropriation recommendations, the Board is to report its recommendations for financial assistance to state universities whose dormitory occupancy rates are less than 75% of capacity and whose ability to make debt payments and maintain the physical plant could be jeopardized.

The bill also requires the Board to "conduct enrollment audits of state-supported institutions of higher education."

Both of these provisions codify and make permanent provisions enacted by Am. Sub. H.B. 215 of the 122nd General Assembly for the 1997-1999 biennium.

Educational service expectations for community colleges and other specified institutions

(sec. 3333.20)

The bill changes the current law requirement that the Board of Regents adopt educational "service standards" that apply to community colleges, university branches, technical colleges, and specified state community colleges. Under the bill, the Board is to "maintain educational service expectations" for the specified institutions instead of adopting "standards" for educational service. The expectations are to provide "guidance" regarding minimum services and programs that should be "available to every community."

The bill modifies the standards (now "expectations") relating to the transfer of credits toward a four-year degree. Under current standards, an institution must demonstrate that it provides "college transfer programs or the initial two years of a baccalaureate degree for students planning to transfer to institutions offering baccalaureate programs." Under the bill, the institution has an expectation of "programs and services that assist student advancement toward a baccalaureate degree." The bill also modifies the language concerning program quality and cost by deleting the standards relating to "[s]tudent access provided according to a convenient schedule and program quality provided at an affordable price" and

introduces an expectation of "[a] learning environment that is accessible to students and that uses the highest quality instructional techniques."

Current law specifies that the degree to which "co-located" schools meet educational service standards is to be judged both as individual institutions and as a whole entity.[30] In distributing any funds based on meeting those standards, the Board of Regents is to base the award on the higher result of the two methods of judging. The bill deletes these requirements governing the treatment of co-located institutions.

Initial proprietary school certificates

(sec. 3332.05)

Current law requires a proprietary school to have a certificate of authorization issued by the State Board of Proprietary School Registration for each "location" at which the school offers programs. All certificates currently are valid for two years. The bill would require the initial certificate of registration for each location to be valid for only one year. Renewals would continue to be valid for two years.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	---	---

H0282-I.123/jc:rss

[30] *"Co-located" refers to educational institutions that share the same facility and thus would serve the same community.*