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*Bill Analysis*  
*Legislative Service Commission*

## **S.B. 197**

126th General Assembly  
(As Introduced)

**Sens. Roberts, Fedor, Fingerhut, Zurz, Hagan, Brady**

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### **BILL SUMMARY**

- Beginning with FY 2007, requires that state payments for each student attending a community school not sponsored by the student's resident school district be made directly to the community school, instead of first being credited to the resident district and then deducted from that district's state aid account as under current law.

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### **CONTENT AND OPERATION**

#### ***Direct payment to community schools***

(R.C. 3314.08, 3314.084, 3314.13, 3317.02, 3317.029, 3317.0217, and 3317.03; Section 5)

Each community school (charter school) receives a payment from the state for each student who attends the school. The payment is based on the amount that is calculated for and credited to the school district in which each student attending the community school is entitled to attend school (that is, the student's "resident district"). It is deducted from the state money that the student's resident district, for the most part, otherwise would have received for the student. The total payment to the community school, therefore, is the aggregate of the per pupil calculated amounts deducted from the students' resident districts.

Beginning July 1, 2006 (FY 2007), the bill requires that the state payments for each student attending a community school not sponsored by the student's resident district be made directly to the community school, rather than be credited to and then deducted from the resident district's state payments.

It does *not* change the method of making payments for a student attending a community school *that is sponsored* by the student's resident district. Those payments would continue to be credited to and then deducted from the district's

account. Thus, under the bill, among all of its students attending community schools, each school district is permitted to include in its "formula ADM," for purposes of calculating state funding to the district, only those students attending community schools sponsored by the district.<sup>1</sup> Under current law, a school district counts in its formula ADM *all* community school students.

The bill also does *not* change the method for calculating the amount paid to a community school (see "*How are community schools funded?*" below).

### **Conforming changes to poverty-based assistance and parity aid**

The bill makes conforming changes to the calculation of the poverty-based assistance and parity aid subsidies to school districts. It continues the inclusion in a district's poverty index students enrolled in community schools not sponsored by that district, but does not credit the district for per pupil poverty-based assistance payments for those students. Similarly, it continues to include students enrolled in community schools not sponsored by their resident district in the calculation of that district's per pupil parity aid amount, but it does not credit the district with any actual parity aid payments for those students. In both cases, the payments for those students are paid directly to the community schools.

### **Conforming changes to transitional aid**

(Section 206.09.39 of Am. Sub. H.B. 66 of the 126th General Assembly, amended in Sections 3 and 4)

The general operating budget act for the 2005-2007 biennium made substantial changes in the calculation of state funding for public schools. To temporarily protect school districts that might lose state funding due its changes, the act specified that in both FY 2006 and FY 2007, no school district will receive less in the aggregate of certain specified state payments than it received in the previous fiscal year. This transitional aid payment is calculated before any deductions for payments made to community schools. Thus, community school deductions are subtracted after the transitional aid guarantee is calculated and credited.

Since the bill requires direct payment for students attending community schools not sponsored by their resident districts, the bill requires the Department of Education to subtract the payments made to school districts for those students in

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<sup>1</sup> A school district's "formula ADM" is the average daily membership of students receiving services from the district. This figure is used in determining the amount of state funding credited to the district. (R.C. 3317.01 (not in the bill), 3317.02(D), and 3317.03(A).)

FY 2006 from the baseline amount used in calculating a district's FY 2007 transitional aid. This is done to avoid making dual state payments for those students.<sup>2</sup>

## **Background**

### **What is a community school?**

A community school is an independent, public, nonprofit, nonsectarian school that operates under a contract with a sponsoring entity. A conversion community school is a school building or part of a school building formerly operated by the sponsoring school district. Conversion schools may be sponsored by any school district in the state. A start-up community school, on the other hand, is a new school that may be located only in one of the statutorily defined "challenged school districts," which are generally large urban districts or those under academic watch or in a state of academic emergency.<sup>3</sup> Start-up schools may be sponsored by any of the following entities:

(a) The school district in which it is located;

(b) A school district located in (or a joint vocational school district serving) the same county in which the district where the school is located has the majority of its territory;

(c) Any educational service center;

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<sup>2</sup> *The baseline amount for city, exempted village, and local school districts is known as the "SF-3 funding plus charge-off supplement." It comprises payments for base-cost, special education, vocational education, transportation, poverty-based assistance, gifted education units, GRADS programs for parenting and pregnant students, parity aid, former state aid guarantee, reappraisal guarantee, and charge-off supplement and adjustments for the number of classroom teachers and educational service personnel.*

<sup>3</sup> *"Challenged school districts are: (1) the "Big-Eight" districts (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown), (2) a district under an academic watch or in a state of academic emergency, and (3) a district in the former Pilot Project Area (Lucas County--where start-up schools first were authorized to operate). Any community school located in an "Urban-21" district that is not a Big-Eight district may continue to operate if the community school was established prior to August 15, 2003. (The Urban-21 districts are the Big-Eight districts plus Cleveland Heights, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, and Warren.) Similarly, any school located in a county contiguous to Lucas County may continue to operate if the school was established prior to June 29, 1999.*

(d) The board of trustees of a state university (or the board's designee) if a mission of the community school will be a practical demonstration of the teaching methods, technology, or practices included in the curriculum of the university's teacher preparation program; and

(e) A federally tax exempt entity that has been in operation for at least five years, has assets of at least \$500,000, and is an education-oriented entity as determined by the Department of Education.

Both types of community schools may be established as "Internet- or computer-based community schools" ("e-schools"). E-schools are community schools in which students "work primarily from their residences on assignments in nonclassroom-based learning opportunities provided via an Internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods that include Internet-based, other computer-based, and noncomputer-based learning opportunities."<sup>4</sup>

### **How are community schools funded?**

As noted above, each community school receives a payment from the state for each student who attends the school. The payment is based on the amount for that student that is credited to the student's resident school district and is deducted from the state money that the resident district, for the most part, otherwise would receive for the student. Each school receives the aggregate of the per pupil amounts for students enrolled in the school. However, the amount of state funds paid to community schools and deducted from the state aid account of their students' resident districts cannot exceed the total of the districts' state payments and property tax rollback reimbursements.

**Amount for most community schools.** For all community schools *except e-schools*, the per pupil payment is the sum of the following:

(1) The greater of either (a) or (b) as follows:

(a) The formula amount (base-cost amount) times the cost-of-doing-business factor for the student's resident district, *plus* the per pupil amount of base funding supplements attributed to each student attending the school.<sup>5</sup> The formula

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<sup>4</sup> See R.C. 3314.01, 3314.015, and 3314.02, none in the bill.

<sup>5</sup> For FY 2006 the formula amount is \$5,283, and for FY 2007 it is \$5,403. The cost-of-doing-business factor for FY 2006 ranges from 1.000 to 1.050 (5% maximum additional amount for the highest cost county) and for FY 2007 ranges from 1.000 to 1.025 (2.5% maximum additional amount). The base funding supplements total \$40 per pupil in FY 2006 and \$47.99 in FY 2007. (R.C. 3317.012, not in the bill, and 3317.02.)

amount is the statutory minimum amount of state and district funding presumed necessary for each student to receive an adequate education. It represents costs that all schools have for each student regardless of location, demographics, and other factors that vary from district to district. Base funding supplements are separate amounts that augment the base-cost amount calculated for large-group academic intervention, teacher professional development, data-based decision making, and professional development regarding data-based decision making.

(b) The FY 2005 formula amount times the FY 2005 cost-of-doing-business factor for the student's resident district. The funding formula for school districts prescribes a similar, but not identical, guarantee that each district receive a state base-cost payment that is not lower than the lesser of the district's FY 2005 state aggregate or per pupil base-cost payment.<sup>6</sup>

(2) Any special education weighted amount prescribed for the student, including the calculated school district share of the weighted amount;<sup>7</sup>

(3) Any vocational education weighted amount prescribed for the student, including the calculated school district share of the weighted amount;<sup>8</sup>

(4) The per pupil amount of poverty-based assistance attributable to the student. Most districts receive an additional poverty-based assistance subsidy for the additional cost of serving students who are economically disadvantaged.<sup>9</sup> That subsidy is divided into several separately calculated payments as follows: (a) all-day kindergarten payment, (b) three levels of academic intervention payments, (c) K to 3 class-size reduction payment, (d) payment for services to limited-English proficient students, (e) professional development payment, (f) dropout

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<sup>6</sup> R.C. 3317.022(A)(2) and 3317.16(B)(2), neither section in the bill. In FY 2005, the formula amount was \$5,169 and the cost-of-doing-business factor varied from 1.000 to 1.075 (7.5% maximum additional amount).

<sup>7</sup> For each identified disabled student, an additional weighted amount is calculated to reflect the presumed additional cost of providing special education and related services to that student. The law prescribes six different weights based on the student's disability. (R.C. 3317.013, not in the bill.)

<sup>8</sup> For each student enrolled in a vocational education program, an additional amount is calculated. The law prescribes two different weights based on the type of vocational program in which the student is enrolled. (R.C. 3317.014, not in the bill.)

<sup>9</sup> R.C. 3317.029. Eligibility for and generally the amount of the subsidy is based on a district's poverty index, which is the percentage of children living in the district who are receiving public assistance compared with the statewide percentage of children receiving public assistance.

prevention payment (for Big-Eight districts only), and (g) community outreach payment (for the 21 urban districts only). In addition, each district is guaranteed as much total poverty-based assistance funding as it received under the former disadvantaged pupil impact aid (DPIA) subsidy in FY 2005.

(5) The per pupil amount of parity aid calculated for the district. Parity aid is an additional state subsidy paid to a district based on its relative combined income and property wealth. For most districts, the subsidy is the difference between what 7.5 mills will raise per pupil in the 123rd wealthiest district (80th percentile) and what 7.5 mills will raise per pupil in the district for which the subsidy is calculated.<sup>10</sup>

**Amount for e schools.** E-schools are eligible to receive only the per pupil base-cost amount (the greater of (1)(a) or (b) above) and any special education weighted amount prescribed for the student ((2) above). Beginning in FY 2007, e-schools must spend at least a specified per pupil amount of the formula amount for instructional purposes, and submit a report of expenditures to the Department of Education. If the Department determines (after offering the school a hearing) that an e-school has not complied with the spending or reporting requirements, the Department must assess a fine equal to 5% of the total state payments to the school for the fiscal year or the amount underspent on instruction, whichever is greater.<sup>11</sup>

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## HISTORY

ACTION	DATE
Introduced	10-11-05

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<sup>10</sup> R.C. 3317.0217. *There is an alternative formula for calculating parity aid for districts that experience a combination of lower incomes, higher poverty, and higher business costs than the statewide median of those variables.*

<sup>11</sup> R.C. 3314.085, *not in the bill.*