

# ***Fiscal Note & Local Impact Statement***

*127<sup>th</sup> General Assembly of Ohio*

Ohio Legislative Service Commission  
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**BILL:** Proposed **Sub. S.B. 141** (LSC 127 0812-1)      **DATE:** November 14, 2007

**STATUS:** In Senate Education      **SPONSOR:** Sen. Padgett

**LOCAL IMPACT STATEMENT REQUIRED:** No      **No local cost**

**CONTENTS:** Makes changes to the law governing community schools

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## ***State Fiscal Highlights***

<b>STATE FUND</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FUTURE YEARS</b>
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in administrative costs	Potential increase in administrative costs	Potential increase in administrative costs

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- The bill increases the Department of Education's (ODE) oversight authority for community school sponsors. It also requires ODE to pay sponsorship fees directly to sponsors from the state funding allocated to the community school. These provisions may increase ODE's administrative burden.

## ***Local Fiscal Highlights***

- Some of the changes made by the bill could potentially reduce the number of students in Ohio attending community schools than would be the case if the changes were not made. If fewer students attend community schools, school districts will receive state funding for these students but will also incur the expense of educating them.
- The bill increases the minimum number of hours of learning opportunities community schools must offer to students in grades seven through twelve. This provision may increase the operating costs of some community schools.



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## ***Detailed Fiscal Analysis***

The bill makes several changes to the law governing community schools. Community schools<sup>1</sup> are public schools that operate independently from any school district and are exempt from certain laws and rules that apply to school districts. Generally, each community school has a governing authority that contracts with a sponsor in order to establish and govern the school. The Department of Education (ODE) is responsible for the oversight of community school sponsors.

Some of the changes made by the bill could potentially reduce the number of students in Ohio attending community schools than would be the case if the changes were not made. If fewer students attend community schools, school districts will receive state funding for these students but will also incur the expense of educating them.

### **Minimum enrollment**

Under current law, each community school must enroll at least 25 students. The bill requires that each community school enroll at least 50 students in the first year, 75 students in the second year, and 100 students in each subsequent year of its operation. Community schools that are currently in operation, however, are not subject to the requirement for four years. In FY 2007, there are approximately 117 community schools (37.7%) with total average daily membership (ADM) of less than 100.<sup>2</sup> For these schools, ADM totals 6,897 and total state aid transfers total \$59.5 million. This provision may eventually cause these existing community schools to close if they are unable to meet the enrollment limits in time. It may also lead to fewer new community schools opening in the future. As a result, the number of students attending community schools may decrease.

### **Closing due to student performance**

Beginning in FY 2009, current law requires a community school to close if it fails to meet certain performance criteria. The bill stipulates that if a school is closed for these reasons, the closure is final and cannot be repealed. This provision may result in more community schools being permanently closed than would otherwise be the case and potentially fewer students attending community schools.

### **Student withdrawal for unexcused absences**

Current law requires a community school to automatically withdraw a student after 105 consecutive hours of unexcused absence. The bill modifies this requirement so that the withdrawal occurs after 105 consecutive hours or 21 consecutive days of unexcused absence, whichever comes first. Furthermore, the bill requires that each community school adopt a policy that prohibits enrolling, for the duration of the school year, any student who is withdrawn from it or another community school

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<sup>1</sup> The term "community school" is used in Ohio to refer to what is more commonly called a "charter school."

<sup>2</sup> These data are based on the June 2007 community school payment file.

due to unexcused absences. This provision could reduce the number of students attending community schools.

### **Minimum hours requirement**

Current law requires that each community school offer a minimum of 920 hours of learning opportunities per school year. The bill changes this minimum requirement to 910 hours for students in grades kindergarten through six and to 1,001 hours for students in grades seven through twelve. Depending on the number of hours each community school currently offers, a community school may need to increase the number of hours offered to students in grades seven through twelve by as many as 81 hours per year. This may increase the operating costs of some community schools, however, if a community school offers a traditional 182-day school year, the increase in learning opportunities would be less than one-half hour per day. On the other hand, a community school may choose to decrease the number of hours offered to students in grades kindergarten through six by as many as ten hours per year. If a community school offers a traditional 182-day school year, this decrease would be negligible on a per day basis.

### **Sponsor and governing authority employees**

The bill specifies that the "governing authority" of each community school be the board of directors of the nonprofit or public benefit corporation under which the school is established and that no member of the governing authority be an employee or member of the governing body of the community school's sponsor. In addition, the bill prohibits each community school from employing a person who is also employed by the school's sponsor. These restrictions reduce the pool of employees available to each community school, but do not have a direct fiscal effect.

### **Sponsor services**

Under current law, payments by a community school to its sponsor for oversight and monitoring may not exceed 3% of the state funds received by the school for operating expenses. Within this restriction, sponsorship fees are set in the contract between the school's governing authority and sponsor. Current law, however, does not prohibit the sponsor from offering other services to the schools it sponsors and charging fees in excess of the 3% for these additional services.

The bill restricts sponsor payments to 3% of the community school formula funding for all sponsorship services provided by the sponsor to the community school. In addition, the bill prohibits a sponsor from receiving payments from the schools it sponsors for any services other than sponsorship services. If a sponsor currently has a contract with a school it sponsors to provide other services, the services may be provided for the balance of the term of the contract, but may not be provided through subsequent contracts. This restriction may decrease the sponsor's revenue and it may increase or decrease costs for affected community schools depending on whether the fees charged by the sponsor for these additional services are above or below the fees charged by other providers.

In addition to these restrictions on the provision of services by a community school's sponsor, the bill requires that ODE deduct the sponsorship fees from the formula funding calculated for the

community school and pay them directly to the sponsor. This gives ODE more control over the payment of these fees and may also increase ODE's administrative burden.

### **Transmitting pupil records**

The bill allows community school sponsors to receive the records of the pupils enrolled in the sponsored school. In addition, the bill requires that the chief administrative officer of a community school transmit the pupil records to the school's sponsor or another entity designated by ODE if the school closes. Furthermore, the bill makes failure to transmit the records a misdemeanor of the third degree. Presumably, each officer would comply with the requirement and this provision would not increase the number of cases tried by Ohio courts. An increase in court cases could potentially lead to an increase in judicial system expenditures related to investigating, prosecuting, adjudicating, and sanctioning offenders as well as an increase in judicial system revenues from court cost and fine revenues collected from offenders.

### **Sponsors of closed schools**

The bill prohibits the sponsor of a community school that permanently closes and owes money to the state three years after closing from sponsoring another community school except for the schools it sponsored on the date the community school closed. This may reduce the number of community schools able to find sponsors and thereby the number of community schools and community school students.

### **Corrective action plans**

The bill stipulates that if ODE requires a community school to develop a corrective action plan, that the school must submit this plan to the chief administrative officer of the school's sponsor. If the school fails to submit the plan or fails to implement the provisions of the plan, the sponsor may take this into consideration when determining whether to terminate its contract with the school, suspend the operations of the school, or place the school in a probationary status.

### **ODE oversight of community school sponsors**

The bill clarifies that ODE is responsible for the oversight of *all* community school sponsors, including those that are not required to obtain ODE's initial approval to be sponsors. The bill also grants ODE the specific authority, in addition to its current oversight authority, to declare, under certain conditions, a sponsor to be in probationary status. These provisions may increase the administrative burden of ODE, but they may also improve ODE's ability to carry out its current oversight responsibilities.

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