



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 370 of the 128th G.A.

**Date:** December 8, 2009

**Status:** As Introduced

**Sponsor:** Rep. Garrison

**Local Impact Statement Procedure Required:** No — Possible indirect local effects

**Contents:** Ends the moratorium on e-schools, requires the State Board of Education to adopt its recommended standards for e-schools, and permits establishment of P-16 longitudinal data system

### State Fiscal Highlights

STATE FUND	Initial Fiscal Year	FUTURE YEARS
<b>General Revenue Fund</b>		
Revenues	- 0 -	- 0 -
Expenditures	Estimated increase of \$750,000 for maintenance and support of data system	Estimated increase of \$565,000 for maintenance and support of data system
<b>Federal Special Revenue Fund Group</b>		
Revenues	Increase from the federal SLDS grant program	- 0 -
Expenditures	Offsetting increase for design and development of data system	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill permits the Department of Education (ODE) and the Board of Regents to establish a P-16 longitudinal data system. According to ODE, funding for the design and development of such a system may be applied for through the federal State Longitudinal Data Systems (SLDS) competitive grant program of the American Recovery and Reinvestment Act.
- ODE also estimates additional costs associated with the maintenance and support of such a system at \$750,000 in the first year of operation and \$565,000 in subsequent fiscal years.

### Local Fiscal Highlights

- If the bill's lifting of the e-school moratorium results in more e-school students, the bill may lead to a decrease in state revenues for school districts; this may also result in a decrease in expenditures if the district is no longer educating these students.

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## Detailed Fiscal Analysis

### Establishment of a P-16 longitudinal data system

The bill permits the Department of Education (ODE) and the Chancellor of the Board of Regents to establish a longitudinal data system for students in public elementary and secondary schools and public institutions of higher education by combining their student data, using ODE's existing system for giving each student a unique identifier number. While the data repository will be physically maintained within ODE's technical infrastructure, the Superintendent of Public Instruction and the Chancellor jointly must develop procedures for the maintenance of the combined data repository and designate the types of research that may be conducted using the data.<sup>1</sup>

According to a spokesperson for ODE, costs associated with the design and development of a new data system capable of meeting the bill's guidelines for transfer, storage, and reporting of P-16 data would be allowable uses of any federal funds received by the state under the State Longitudinal Data Systems (SLDS) grant program of the American Recovery and Reinvestment Act. Based on the state's successful history in obtaining SLDS grant funding, ODE's estimate of the costs of implementing the new longitudinal data system assume that development costs can be met with federal funding. However, costs associated with maintenance, support, and operations of the new system are not allowable uses of these same federal funds. ODE estimates that maintenance, support, and operations costs associated with the new P-16 longitudinal data system will be approximately \$750,000 in the initial year and \$565,000 in subsequent years. These estimates include annual personnel costs of \$300,000 for three information technology professionals; annual software and hardware licensing fee costs of \$265,000; and initial year costs of \$170,000 to \$185,000 for the purchase of additional licenses and a new server.

### End to the e-school moratorium

Under current law, a moratorium on the establishment of new Internet- or computer-based community schools (e-schools) is in force until the effective date of any standards enacted by the General Assembly governing the operation of e-schools. The bill directs the State Board of Education to adopt the standards that it recommended in 2003 and ends the moratorium on e-schools effective July 1, 2011. This provision may result in more e-schools being opened, which in turn, may result in more students choosing to attend e-schools.

If a student leaves a traditional school district school to attend an e-school, the district's revenues and expenditures may both be affected. Under the state funding

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<sup>1</sup> The bill identifies several permitted uses of the data but also allows the Superintendent and the Chancellor to use the data for other purposes. The bill also states that all uses of student data must conform to the federal Family Educational Rights and Privacy Act of 1974 (20 United States Code 1232g).

formula, the student will continue to be counted in the average daily membership<sup>2</sup> (ADM) of the district for funding purposes. Funding for the student, however, will be deducted from the district's calculated state funding allocation and will "follow" the student to the community school. In FY 2010, the base amount deducted for each e-school student is \$5,718.<sup>3</sup> Since the district will no longer be responsible for educating the student, its expenditures may also decrease.

If a student leaves a nonpublic school to attend an e-school, the state's expenditures may increase since the student will now be counted in statewide ADM. Generally, the district's ADM will increase; causing an increase in its state funding allocation, and it will have funding deducted as described above. In this case, since the district was not educating the student, it will not be able to decrease those expenditures. These effects are complicated by provisions of the school funding formula that provide districts with a certain level of funding, either through a guarantee or a cap, that is not dependent on the districts' ADMs. Districts on the guarantee or under the cap may not see an increase in their state funding allocation when their ADM increases. In FY 2010, approximately 590 (96.4%) of the districts are either on the guarantee or under the cap.

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<sup>2</sup> ADM is the measure the state uses for the number of students residing in each district.

<sup>3</sup> Base funding supplements totaling \$50.91 are also deducted for each student plus additional funding if the student receives special education.