Ohio Legislative Service Commission

Mary Turocy

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 280 of the 129th G.A. **Date**: December 13, 2012

Status: As Passed by the Senate **Sponsor**: Reps. Dovilla and Wachtmann

Local Impact Statement Procedure Required: No

Contents: Modifies the Ohio National Guard Scholarship Program and the Ohio War Orphans Scholarship Program and funding related to certain Jon Peterson Special Needs scholarships

State Fiscal Highlights

- Increase in state expenditures from the Lottery Profits Education Reserve Fund (Fund 7018) of approximately $3.2 million in FY 2013 for reimbursements to certain school districts for deductions made under the Jon Peterson Scholarship program.
- Possible increase in revenues to the National Guard Scholarship Reserve Fund from public and private grants and other contributions.
- Possible increase in revenues to the Ohio War Orphans Scholarship Program Fund, created in the bill.
- Possible decrease in Ohio War Orphans Scholarship award amounts if the number of recipients increases from expanded scholarship eligibility.

Local Fiscal Highlights

- Increase in revenues for certain school districts from reimbursements for state aid deductions taken for certain Jon Peterson Scholarship participants.

Detailed Fiscal Analysis

Jon Peterson Special Needs Scholarship reimbursement

The bill modifies funding related to the Jon Peterson Special Needs Scholarship program. The Jon Peterson Scholarship program provides students in grades prekindergarten to 12 who have received an individualized education program (IEP) with scholarships to attend special education programs operated by an alternative public or private provider. For funding purposes, students are first counted in their resident district's average daily membership (ADM). Then, the amount of the scholarship is deducted from the district's state aid allocation and transferred to the alternative provider. In FY 2013, the first year of the program, the amount of the scholarship is equal to the least of (1) tuition and fees charged by the alternative provider, (2) the sum of the FY 2009 formula amount ($5,732) plus base funding supplements and $5,732 multiplied by an applicable special education weight, and (3) $20,000.

The bill requires the Ohio Department of Education to reimburse school districts that are given a supplemental operating funding allocation in FY 2013 for deductions connected to Jon Peterson Special Needs Scholarship students who have never attended a public school in Ohio. The bill establishes a $3.2 million appropriation for this purpose from the Lottery Profits Education Reserve Fund (Fund 7018).

Supplemental operating funding guarantees districts the same amount of state aid in FY 2013 as they were allocated in FY 2011, minus the portion of the state aid allocation supported by federal stimulus funding in that year. In FY 2013, 154 school districts are allocated supplemental operating funding. ODE awarded 1,346 scholarships in the first round of awards for FY 2013. Of these, 85% (1,148) were not enrolled in public schools in FY 2012, although some of these students may have attended public school in Ohio in a previous year. ODE received an additional 538 scholarship applications in the second round of funding.

Donations and contributions to scholarship programs

The bill allows the administrators of the Ohio National Guard Scholarship Program and the Ohio War Orphans Scholarship Program to apply for and receive funds, including grants, gifts, bequests, and contributions, from public and private sources. The bill, therefore, may result in increased revenues for these programs. Any funds received for the National Guard Scholarship Program must be deposited to the National Guard Scholarship Reserve Fund, which already exists. Any funds received for the War Orphans Scholarship Program must be deposited to the Ohio War Orphan Scholarship Fund, which is created by the bill. This new fund is to be used to operate the War Orphans Scholarship Program and provide War Orphans Scholarships. The bill specifies that investment earnings from the cash in the new fund must be deposited to the fund.

The Board of Regents (BOR) currently administers the Ohio National Guard Scholarship Program, whereas the Ohio War Orphans Scholarship Board administers the Ohio War Orphans Scholarship Program. BOR and the Scholarship Board may incur minimal expenses if they choose to solicit and accept grants or donations. However, the additional revenues from grants, gifts, and other contributions presumably will more than offset any additional expenses.

Expansion of War Orphans Scholarship eligibility

The bill also expands War Orphans Scholarship eligibility to include the children of any deceased or severely wounded service members that participated in an operation for which the Armed Forces Expeditionary Medal is awarded. The Armed Forces Expeditionary Medal is used to recognize more than 20 military operations between 1956 and 2003. Since major operations are already included in the War Orphans Scholarship Program under current law, there will likely not be a significant increase in scholarship applications due to this provision. The total cost to the state of the War Orphans Scholarship Program is limited by the appropriation made for the program. If appropriation levels are not sufficient to provide scholarships for all eligible students, awards may be proportionally reduced. As a result, if the number of scholarship recipients does increase from the expanded eligibility, state expenditures would not increase but award amounts may decrease.

War Orphans Scholarships may be used at both state-assisted and private institutions of higher education in Ohio. In FY 2013, awards for students of state-assisted two-year and four-year institutions are equal to 93% of the instructional and general fees and scholarships for students of private institutions are $5,575. War Orphans Scholarship recipients must be Ohio residents under the age of 25, full-time undergraduates, and maintaining a 2.0 grade point average (GPA). In FY 2012, 803 awards were provided at an 80% award level and the average scholarship amount for all scholarship recipients combined was $5,403.

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