



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 86 of the 129th G.A.

Date: April 12, 2011

Status: As Passed by the Senate

Sponsor: Sen. Sawyer

Local Impact Statement Procedure Required: Yes

Contents: Permits the establishment of a community school to serve adults of school age who are incarcerated or have been released from the custody of the Department of Youth Services

State Fiscal Highlights

- If the community school enrolls students who are not currently in the state's public education system, state aid for primary and secondary education may increase.
- The Department of Rehabilitation and Correction may see a decrease in tuition payments from school districts for special education students. Since the Department will no longer be responsible for educating these students, its expenditures may also decrease.

Local Fiscal Highlights

- If the establishment of a new community school results in an increase in community 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 or is no longer responsible for tuition payments to the Department of Rehabilitation and Correction.

Detailed Fiscal Analysis

The bill permits the establishment of a community school to serve adults who are 18 to 21 years old, have not graduated from high school, and are being held in a state correctional institution operated by the Department of Rehabilitation and Correction (DRC) or have been released from an institution maintained by the Department of Youth Services (DYS). Funding for the education of these students is to be provided under the current community school funding statutes.

The fiscal impact of the bill is not straight forward as it depends on several factors including whether the student receives special education, whether the student is incarcerated in a DRC facility or released from a DYS facility, and other factors particular to each resident school district. Under the bill, the resident school district is the district in which the student was entitled to attend school *immediately prior to institutionalization or incarceration*. This district remains financially responsible for the student throughout the period of the student's enrollment in the community school, regardless of whether the student resides in that district after the student's release. If the community school elects to enroll a student who was not an Ohio resident immediately prior to institutionalization or incarceration, the school must pay the total cost of educating that student.

DRC students

Currently, DRC may provide educational services to inmates of state correctional institutions. DRC is required to provide special education and related services to any inmates age 22 or younger who have disabilities. For each of these special education students, DRC receives tuition from the student's resident school district. The tuition amount per special education student varies according to the student's resident school district and is generally equal to the amount of per pupil local revenue collected by the district in the previous fiscal year. DRC does not receive tuition for inmates who do not have disabilities. Generally, educational costs above the tuition amount are paid with state funds appropriated either through the Ohio Department of Education (ODE) or DRC.

Under the bill, presumably some inmates of a DRC institution will attend the new community school instead of the programs offered directly by the institution. The education of these students will cease to be funded as described above and instead be funded under the community school funding statutes. So, if the student receives special education, the district is no longer required to pay tuition for the student. If a student does not receive special education, however, the district does not experience this savings in tuition costs. Community school funding in FY 2010 and FY 2011 is based on the FY 2009 funding formula whereby brick and mortar community schools receive base cost funding, special education weighted funding for special education students, career-technical education weighted funding for career-technical students, poverty-

based assistance, and parity aid.¹ The base cost formula amount on which this funding is based is \$5,718 in FY 2010 and \$5,703 in FY 2011. This per pupil funding is transferred from each student's resident school district. In turn, the student is counted in the resident school district's average daily membership (ADM)² for the purposes of allocating state aid to the district. Under the formula, then, the district's state aid allocation would generally increase but so would its state aid deduction as the state aid "follows the student" to the community school.

Former DYS inmates

If a former DYS inmate leaves a public school to attend the new community school, the student continues to be counted in the ADM of the resident district but funding for the student is deducted from the district's calculated state funding allocation and follows the student to the community school. Since the district is no longer responsible for educating the student, its expenditures may decrease.³ Because the student was already included in statewide ADM calculations, there is no fiscal impact on the state.

However, if a former DYS inmate who is *not* currently enrolled in a public school chooses to attend the new community school, the state's expenditures may increase since the student was not being counted in statewide ADM. The resident district's ADM increases, causing an increase in its state funding allocation, and it then has funding deducted as described above. In this case, since the district was not educating the student, it does not realize a decrease in expenditures.

School funding guarantee and cap

The fiscal impact on school districts of having a resident student attend a community school is complicated by the guarantee and cap in the current school funding formula. Without a guarantee or cap, the state aid for most districts would increase when ADM increases. This increase would be higher if the student received special education or if the student was disadvantaged. When a district is receiving funding through a guarantee or cap, however, its state aid may not be responsive to changes in its ADM. For this district, therefore, a new community school student may increase the district's state aid deduction without actually increasing its state aid allocation. In FY 2011, approximately 575 of the 612 districts are either on the guarantee or under the cap.⁴

¹ The method of funding community schools may change in FY 2012 as the formula for allocating state aid to public schools is generally updated in the main operating appropriations bill.

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

³ It is possible, however, that the resident district used for funding the community school student is different from the district the student was attending before the student enrolled in the community school.

⁴ As with community school funding, the method of funding school districts may change in FY 2012.

Student transportation

The bill relieves the resident district of the transportation responsibility for students attending the community-based facility maintained by a community school established under the bill. Instead, it requires the community school to provide transportation for those students in accordance with a transportation policy adopted by the school's governing authority. As under current law, the community school will receive a transportation payment, which is deducted from the resident district's state aid allocation.

DRC and DYS responsibilities

The bill requires DRC to allocate space at institutions for use by the community school. In addition, both DRC and DYS are required to assist the school in identifying potential students. Furthermore, DRC is required to transfer students to an institution at which the school has a facility. These responsibilities may increase administrative costs for DRC and DYS. These costs, however, are not likely to be significant.