



Ohio Legislative Service Commission

Jason Phillips and other LSC staff

Fiscal Note & Local Impact Statement

Bill: [H.B. 487 of the 130th G.A.](#)

Date: April 1, 2014

Status: As Introduced

Sponsor: Rep. Brenner

Local Impact Statement Procedure Required: Yes

Contents: Modifies law related to primary and secondary education

State Fiscal Highlights

Post Secondary Enrollment Options replaced by College Credit Plus

- The bill renames the Post Secondary Enrollment Options Program (PSEO) as the College Credit Plus Program (CCP) and makes numerous changes to the program that will go into effect for the 2015-2016 school year.
- Due to the bill's revised dual credit payment formula, payments to colleges for participating students may decrease.
- The bill eliminates the authority for school districts to enter into an agreement with a college for a dual enrollment program similar to PSEO. As a result, payments of state aid to colleges may increase for some districts that currently participate in such programs.
- The bill makes students enrolled under CCP eligible for state share of instruction (SSI) subsidies. An increase in the number of students eligible for the SSI subsidy could result in a small decrease in the amount of subsidy funding per student, depending on the amount appropriated for the subsidies.
- The bill may lead to an increase in costs for public colleges, the Ohio Board of Regents, and the (Ohio Department of Education) due to additional administrative requirements.

Diagnostic assessments

- The bill may lower the administrative costs of the Department of Education associated with reporting and administering diagnostic assessments.

Student career education and advising

- The additional requirements and activity related to student career-technical education and advising may increase the administrative expenditures of ODE.

Local Fiscal Highlights

Post Secondary Enrollment Options replaced by College Credit Plus

- Due to the bill's revised dual credit payment formula, deductions of school district and community school state aid may decrease.
- The bill's elimination of "similar" dual enrollment programs may result in some districts experiencing an increase in the deductions of their state aid to pay the amounts required under CCP or an alternative payment structure.
- The bill may lead to an increase in costs for school districts due to additional administrative requirements.

Academic distress commissions

- School districts affected by the revised conditions of eligibility for an academic distress commission may experience increases in expenditure levels to implement an academic recovery plan.

Diagnostic assessments

- The bill may lower the administrative cost for school districts associated with reporting and administering diagnostic assessments.

Student career education and advising

- The additional requirements related to student career-technical education and advising may increase the administrative expenditures of local school districts.
- Requiring seventh and eighth grade students to enter into career-technical education will increase a school district's costs associated with career-technical education training with a corresponding decrease in traditional education costs. Any changes in funding will be offset by school districts that have already opted to provide this type of education to students in grades seven and eight and by districts obtaining a waiver from ODE.

School Energy Conservation Program

- The bill adds flexibility and may lower the administrative costs of school districts involved in the School Energy Conservation Program.

Detailed Fiscal Analysis

Post Secondary Enrollment Options replaced with College Credit Plus

Overview

The Post Secondary Enrollment Options Program (PSEO) permits students to take courses for both college and high school credit while in high school. Under the program, students may take the course free of charge and have the college reimbursed for the costs associated with the course. PSEO payments to colleges for public high school students are deducted from the state aid of the educating school district or school. Such payments for nonpublic and home-instructed students are made from set-asides of certain GRF appropriations. According to Ohio Department of Education (ODE) data, 14,860 public school and 1,202 nonpublic school students participated in PSEO statewide in the 2011-2012 school year, the latest data readily available.¹

The bill renames PSEO as the College Credit Plus Program (CCP) and makes numerous changes to the program. Many of the bill's changes reflect recommendations made by the Chancellor of the Ohio Board of Regents pursuant to H.B. 59 of the 130th General Assembly. Most notably from a fiscal perspective, these changes involve (1) the formula for payments to colleges, (2) CCP's interaction with other dual enrollment agreements, (3) permitting a public college to include a student enrolled under CCP in its "state share of instruction" count for state higher education subsidies, and (4) additional program requirements for public colleges and high schools. These provisions are discussed in more detail below. Under the bill, CCP will not begin operation until the 2015-2016 school year. Until then, PSEO will continue to operate in its current form.

Payment formula

Current law

Under current law, colleges are paid based on the lesser of (1) the actual cost of tuition, textbooks, materials, and fees that the student otherwise would have been responsible for or (2) an amount based on the tuition base (equal to the formula amount), the full-time equivalency percentage of the student, and the percentage of time during the school day that the student spends at the college. In practice, the amount paid depends on the number of Carnegie units the high school permits a student to earn per year.² One Carnegie unit is equal to one five-credit hour semester class. If a full-time student may earn six Carnegie units per year, then the amount paid

¹ H.B. 59 of the 130th General Assembly expanded the program to include home-instructed students beginning with the current 2013-2014 school year.

² A Carnegie unit is the basic unit of credit used to meet high school graduation requirements. Typically, one Carnegie unit is awarded for courses scheduled for 120 instructional hours.

for a five-credit hour course under PSEO is one-sixth of the tuition base, or about \$967 in FY 2015 based on the formula amount of \$5,800 ($\$5,800 \times (1/6)$). This translates to about \$193 per credit hour ($\$967 \div 5$). If a full-time student may earn seven Carnegie units per year, then the amount paid per credit hour is somewhat smaller. In this case, the amount paid for a five-credit hour course is one-seventh of the tuition base, or about \$829, which translates to about \$166 per credit hour. Current law permits the Superintendent of Public Instruction and the Chancellor to adopt rules permitting schools to enter into alternative PSEO funding agreements with colleges. However, since the Ohio Department of Education (ODE) is unaware of any such agreement being requested, the rules have yet to be adopted.

Changes made by the bill

In general, the bill requires the CCP payments made by ODE to be based on the number of credit hours in which a student is enrolled during the previous term. Further, unless an agreement specifying an alternative payment structure is entered into by the high school and the college, which the bill permits under certain conditions, ODE must pay the college the following default per credit hour amounts:

- The default ceiling amount for a student enrolled in a college course delivered on the college campus, at another location operated by the college, or online. This amount is calculated as 83% of the formula amount divided by either 30 or 45, depending on whether the college operates on a semester or quarter schedule, respectively. Using the FY 2015 formula amount of \$5,800, this calculates to about \$160 for each semester credit hour ($\$5,800 \times 0.83 = \$4,814$; $\$4,814 \div 30 = \160.47 per credit hour) and about \$107 for each quarter credit hour.
- 50% of the default ceiling amount, for a student enrolled in a college course delivered at the student's high school but taught by college faculty.
- The default floor amount, defined as 25% of the default ceiling amount, for a participant enrolled in a college course delivered at the student's high school and taught by a high school teacher who has met the established credential requirements.
- For a home-instructed student enrolled in a public or private college, ODE must pay the college the default ceiling amount for each completed credit hour when the student is enrolled in a college course delivered on the college campus, at another location operated by the college, or online.

Because the full formula amount will no longer be the basis of the payments, payment amounts to colleges may decrease. For example, instead of being paid \$967 for a five-credit hour semester class, as in the example above, a college would be paid about \$802 under the bill for a course delivered on a college campus ($\$160.47$ per credit hour \times 5 credit hours = \$802.35). The amount would be less for a course delivered at the student's high school. The amount of any decrease will vary by school district and

community school, as it will depend on the maximum number of Carnegie units currently allowed by each school and the format and location in which students receive instruction through the program. Ultimately, the result of these changes is likely to be a shift in a portion of the cost of educating such students to the colleges in which they enroll. Note that the bill's change from an annual payment schedule to a semiannual schedule will artificially inflate the total amount of the payments made in FY 2016. Statewide, payments to colleges totaled \$28.5 million for students attending college under PSEO in the 2012-2013 school year. For additional details concerning PSEO payments, please see the Appendix below.

Interaction with other dual enrollment agreements

While PSEO is one dual enrollment option for high school students, current law also permits a school district or a participating nonpublic school to enter into an agreement with a college or university to establish a similar dual enrollment program. These agreements do not carry the same payment amount requirements and prohibitions on student charges as PSEO. Some school districts may currently pay less per credit hour under these alternative dual enrollment agreements than under PSEO, or potentially nothing at all if the student or parent is responsible for the entire cost of tuition negotiated between the district or school and the college. LSC is unaware of any comprehensive source of data concerning these arrangements that indicates how prevalent they are or what payment rates are commonly negotiated.

The bill eliminates the authority for schools and colleges to enter into these agreements and instead states that CCP will govern arrangements in which a secondary grade student enrolls in a college and, upon successful completion of coursework taken under the program, receives transcribed credit from the college. The bill permits a high school and a college to enter into an agreement establishing an alternative payment structure for tuition, textbooks, and fees. However, in general, the payments made for each student by ODE under such an agreement cannot exceed the default ceiling amount or be less than the default floor amount. As a result, some districts may experience an increase in the deductions of their state aid to pay the amounts required under CCP or an alternative payment structure.

State share of instruction count

Though public colleges may receive less from payments of school district state aid and state funds set aside specifically for CCP, the bill makes students enrolled under CCP eligible for state share of instruction (SSI) subsidies. A public college's "state share of instruction" is the main subsidy that is paid by the state toward the instructional operating cost of the institution. Note that an increase in the number of students eligible for the SSI subsidy formula could result in a small decrease in the amount of subsidy funding per student, depending on the amount appropriated.

Program requirements

The bill revises various requirements associated with the program. For instance, the bill requires all public colleges, with the exception of the Northeast Ohio Medical University, to participate in CCP. While all such colleges currently participate, they are not required to do so under current law. The bill also makes changes to the information provided by high schools and colleges, requires public and participating nonpublic high schools and public and participating colleges to collect, report, and track specified data related to the program, and requires that CCP courses be taught by teachers meeting credential requirements established by the Chancellor. In addition, colleges must provide high school teachers teaching CCP courses for a college with at least one professional development session per school year and conduct at least one classroom observation per school year of each course authorized by the college. These provisions are discussed in more detail in the LSC Bill Analysis.

These provisions may lead to an increase in costs for colleges, school districts, the Ohio Board of Regents, and ODE due to additional administrative requirements. However, the bill permits any high school or college that is subject to the requirements of CCP to apply to the Chancellor and the Superintendent for a waiver from these requirements. The criteria to receive a waiver are to be adopted in rule by the Chancellor and the Superintendent.

Academic distress commissions

Overview

State law provides for the creation of an academic distress commission for any school district that meets certain conditions indicative of continued poor academic performance. An academic distress commission has the authority to appoint school administrators and personnel, terminate contracts, contract with private entities, and set district budgets to improve the academic performance of the district. Currently, only the Lorain and Youngstown city school districts are subject to an academic distress commission. The bill's revisions of conditions for eligibility may make additional districts subject to an academic distress commission, which may affect expenditures for those school districts.

Conditions for eligibility

Under current law, an academic distress commission must be established for any district that meets one of the following conditions of eligibility for three or more consecutive years: (1) declared to be in academic emergency (under the former report card rating system) and failed to make adequate yearly progress, (2) a grade of "F" on the performance index score and a grade of "D" or "F" for the overall value-added progress dimension, (3) an overall grade of "F" or a grade of "F" for the overall value-added progress dimension, or (4) an overall grade of "D" or "F" for 50% of the schools operated by the district. Overall grades begin to be issued for the 2014-2015 school year.

The bill adjusts those conditions for eligibility and also requires that eligibility be based on meeting any condition in only two out of the three most recent years. The revised conditions for eligibility are: (1) declared to be in academic emergency and failed to make adequate yearly progress (as under current law), (2) a grade of "F" on the performance index score and a grade of "D" or "F" on the value-added progress dimension *for the 2013-2014 school year*, (3) an overall grade of "F," or (4) academic performance making the district subject to the most severe level of intervention under the most recent "Elementary and Secondary Education Act" (ESEA) waiver issued by the U.S. Department of Education. The bill exempts a district that would otherwise qualify for a commission if it scores an "A" or "B" on at least two components of its most recent report card.

Under current law, an academic distress commission must cease to exist when a district achieves a grade of "C" or better on the performance index score and the value-added progress dimension. The bill adds provisions stating that a commission must cease for any district that received an overall grade of "C" or better for two of the three most recent school report cards or for any district that attained a level of academic performance such that it is no longer subject to the most severe level of state intervention as defined by the ESEA waiver.

These changes appear to increase the pool of districts potentially subject to an academic distress commission. For example, under Ohio's ESEA waiver, the most severe level of intervention is attributed to the 31 districts in the bottom 5% of a ranking used to determine the placement of each district into the state's support and intervention structure. The ranking is currently based on four report card measures: achievement, gap closing, progress, and graduation rate. As noted above, a school district ranked in the bottom 5% for two of the three most recent school years would be subject to an academic distress commission under the bill. Current academic distress commissions have adopted academic recovery plans that require additional teachers, increased resources for intervention, independent monitoring, the addition of administrative procedures to evaluate improvement efforts, and other strategies to improve academic achievement in the district. Thus, newly eligible districts could potentially incur substantial costs to implement an academic recovery plan mandated by an academic distress commission.

Diagnostic assessments

The bill updates and adds consistency to requirements associated with diagnostic assessments. The changes are designed to clarify flexibility for school districts, clean up older erroneous language, exempt students with significant cognitive disabilities from testing in the same manner as the Third Grade Reading Guarantee, and allow ODE to implement the K-3 literacy measure using diagnostic data as previously required. The bill should reduce the administrative costs associated with the diagnostic assessments for ODE and local school districts.

Student career advising

The bill requires ODE to develop and post on its website model policies on career advising and student success plans. These requirements will minimally increase the administrative expenditures for ODE.

The bill requires school districts to adopt a policy on career advising and update that policy every two years, identify students who are at risk of dropping out using a research-based method and develop a student success plan, and notify a student's parents and allow them to assist in the development of a student success plan. These requirements will increase the administrative burden on school districts.

Student career-technical education

Under current law, a school district may already provide career-technical education to seventh and eighth graders. ODE has developed and posted sample course descriptions and outlines covering grades seven and eight. The bill changes the system from one where a school district may provide this type of education in grades seven and eight to one where a school district must seek a waiver from ODE to not provide this type of education. As a result of this change, school districts could see an increase in administrative expenses associated with providing career-technical education to grades seven and eight. Additionally, requiring students in grades seven and eight to enter into career-technical education will increase a school district's costs associated with career-technical education training with a corresponding decrease in traditional education costs.

School Energy Conservation Program

The bill makes changes to the School Energy Conservation Program in regard to measurement and verification, annual reporting, and the competitive selection process. The changes are designed to add flexibility and lower the administrative costs of the program for local school districts and ensure that energy conservation projects meet their projected savings.

Resident educator license renewal

The bill requires the State Board of Education to adopt rules regarding the renewal of resident educator licenses and alternative educator licenses. Current law allows the State Board of Education to extend resident educator licenses as well as alternative educator licenses on a case-by-case basis without adopting specific rules to govern those license renewals. Under the bill, the State Board of Education may experience a minimal administration burden to establish the required rules concerning license renewals.

School Based Health Care Advisory Workgroup

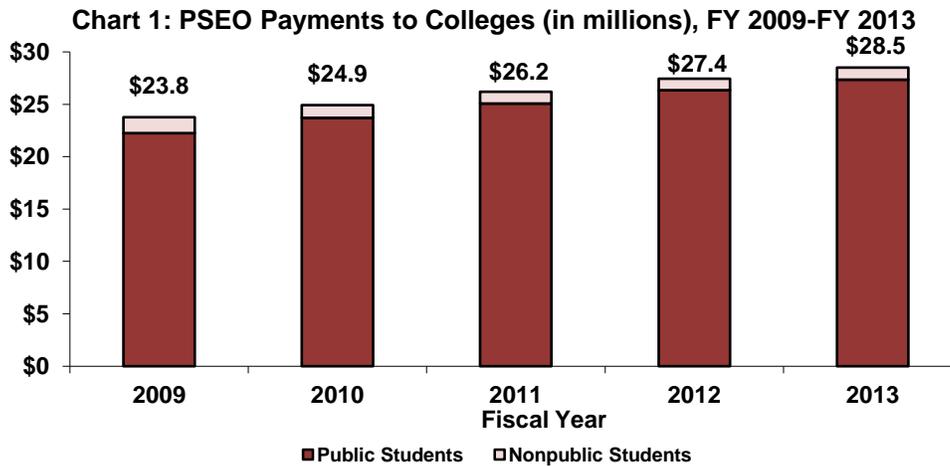
The bill creates a School Based Health Care Advisory Workgroup, which serves primarily to study and recommend health-related practices and strategies that improve student academic achievement and health outcomes. The Workgroup consists of one member from each of the following seven state agencies: the Superintendent of Public Instruction's office, the Department of Developmental Disabilities, the Department of Health, the Department of Job and Family Services, the Department of Medicaid, the Department of Mental Health and Addiction Services, and the Office of Health Transformation. The Workgroup also consists of 20 members from various education and health-related associations and organizations, as well as four state legislators.

Specifically, the School Based Health Care Advisory Workgroup is tasked with studying the correlation between student health and academic achievement, identifying and recommending model practices for communities to use in improving academic achievement through better student health, recommending financial strategies to sustain these models, and recommending health care delivery strategies that improve health outcomes. Since the members of this Workgroup will serve without compensation, there is no direct financial impact on the state or any state agency. However, since involvement with this Workgroup may be considered among an employee's duties, the agencies involved may experience a slight increase in their administrative workload.

Appendix

Background information on PSEO payments

Statewide, deductions from FY 2013 state aid for PSEO payments to colleges were about \$27.4 million, according to ODE statements of settlement of state aid for school districts and community schools while payments for nonpublic students amounted to about \$1.2 million, based on data in the state's accounting system. Chart 1 below illustrates the statewide amount of PSEO payments to colleges over the past five fiscal years. As the chart shows, the overall amount paid under PSEO has risen steadily in recent years, driven mostly by payments for public school students. Note that the fiscal year indicated in the chart represents the year for which the payments were made, not the year in which the payments were disbursed.



The majority of PSEO payments flow to community colleges followed by university and regional branches. Payments to private colleges make up a relatively small share of the total. Chart 2 below shows the relative share of PSEO payments flowing to each sector, based on data in the state's accounting system.

