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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research and Drafting

Legislative Budget Office

H.B. 127
(l_133_0482-1)
133rd General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 127's Bill Analysis

Version: In House Primary and Secondary Education

Primary Sponsors: Reps. K. Smith and Hambley

Local Impact Statement Procedure Required: No

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Highlights

- The bill's prohibition on new academic distress commissions (ADCs) and elimination of current ADCs may lower Ohio Department of Education (ODE) expenditures by approximately $1.17 million in FY 2020 and $1.76 million in FY 2021, with annual savings increasing each year because the state will no longer need to pay the salary of the chief executive officer (CEO) of an ADC.
- School districts that currently are or would have become subject to an ADC under current law may have higher revenues and expenditures under the bill, as fewer students in the districts may qualify for scholarships under the traditional Educational Choice Scholarship Program. If a student receives a scholarship, the district does not incur the expense of educating the student and funding is deducted from the district's state aid.

Detailed Analysis

The bill dissolves existing academic distress commissions (ADCs); returns managerial, operational, and instructional authority to the affected districts' boards of education; and repeals the law for the establishment of ADCs, effectively prohibiting the creation of any new ADCs.

Ohio Department of Education

Under current law, the state pays the compensation of each ADC's chief executive officer (CEO). According to the Ohio Department of Education (ODE), total annual compensation for each of the current CEOs is estimated at $305,000 in FY 2019 and is expected to increase to approximately $352,000 in future years. There are currently three established ADCs and, under current law, ODE expects a fourth ADC to be established in FY 2020 and an additional three ADCs to be established in FY 2021. During the year in which an ADC is established, ODE estimates paying about $\frac{1}{3}$ of the annual compensation cost. Therefore, total state costs under current law for CEO compensation are estimated to be approximately \$1.17 million in FY 2020 and \$1.76 million in FY 2021.[1] Presumably these costs will increase each year as CEO compensation increases and the number of ADCs potentially increases. The bill's elimination of existing ADCs and prohibition on new ADCs will decrease state expenditures by these amounts.

School districts

Current law qualifies all residents of a school district with an ADC to participate in the Educational Choice Scholarship (EdChoice) Program. Under the program, students may obtain scholarships to attend chartered nonpublic schools. The scholarships are funded through deductions from a school district's state aid. As a result of the bill's provisions dissolving current ADCs and prohibiting new ADCs, there may be fewer scholarship students in such districts, resulting in higher expenditures for the district to educate the students as well as higher revenues from the state.

The bill also may have indirect fiscal effects on the operating costs of school districts that currently are or otherwise would be subject to an ADC, depending on the actions that the ADC's CEO would have taken. The CEO, who is appointed by the ADC, has complete operational, managerial, and instructional control of the district until the ADC ceases to exist. Low-performing school districts that would not be subject to an ADC as a result of the bill may still be subject to various interventions pursuant to ODE's system of differentiated accountability under the Department's federal Every Student Succeeds Act (ESSA) plan.

Synopsis of Fiscal Effect Changes

The substitute bill (l_133_0482-1) decreases state costs by \$1.06 million (3 ADCs x \$352,000) each fiscal year compared to the As Introduced (previous) bill by dissolving the three existing ADCs. The As Introduced bill prohibited the creation of any new ADCs but did not affect the existing commissions.

The substitute bill may apply the As Introduced bill's fiscal effects on school district revenues and expenditures with respect to EdChoice scholarships to the three districts with an existing ADC by maintaining a provision in current law that qualifies a student for a scholarship if the student resides in a district that *is* subject to an ADC. Since the bill dissolves the three existing ADCs, presumably no student in these districts would qualify under this criterion. However, students attending certain buildings in these districts may qualify under continuing law criteria by which buildings are designated for low academic performance.

The substitute bill creates the potential for indirect fiscal effects on the operating costs of the three school districts with an existing ADC, depending on the actions the ADC's CEO would have taken. Such indirect fiscal effects resulting from the As Introduced bill were limited to districts that would otherwise be but are not currently subject to an ADC.

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[1] (3 ADCs x \$352,000) + (1 ADC x $\frac{1}{3}$ x \$352,000) = \$1.17 million in FY 2020; (4 ADCs x \$352,000) + (3 ADCs x $\frac{1}{3}$ x \$352,000) = \$1.76 million in FY 2021.