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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 305
(1_133_0626-6
with amendments¹)
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 305's Bill Analysis](#)

Version: In House Finance

Primary Sponsors: Reps. Cupp and Patterson

Local Impact Statement Procedure Required: Yes

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Highlights

- In general, the bill implements a new school funding formula, to take effect in FY 2022, that computes unique per-pupil base cost and local capacity amounts for each school district. The per-pupil base cost is determined by an inputs-based model while the local capacity amount depends on a mix of property value per pupil and income per pupil and a variable local capacity percentage that cannot exceed 2.5%. The per-pupil state share of the base cost is the difference between the per-pupil base cost and the per-pupil local capacity amount.
- The formula replaces the current method of counting students in the school district in which they reside for funding purposes even if they attend school outside the district (formula average daily membership (ADM)) with the count of students the district actually educates (enrolled ADM).
- The majority of the bill's funding components are intended to be phased in over no more than six years and are subject to a guarantee.
- The bill directly funds community and STEM schools, the performance-based Educational Choice Scholarship Program (EdChoice), the Autism Scholarship Program, and the Jon Peterson Special Needs Scholarship Program, rather than deducting aid from a student's resident district and transferring funds to the educating school as under current law.

¹ AM3501-1, AM3608-1, AM3609, AM3610, AM3611, AM3627, AM3628, AM3629, and AM3630.

- The proposed formula, if fully phased in for FY 2021, costs \$1.88 billion more than FY 2021 foundation aid before any spending controls are applied. Changes to and the creation of other forms of aid add \$123.3 million to the cost, for a total of \$2.00 billion.
- The bill appropriates \$5 million in FY 2021 from lottery profits to fund various education studies.

Detailed Analysis

Introduction

The bill replaces the school funding formula in current law with a new formula beginning in FY 2022. In general, this formula significantly modifies how public school students are counted for funding purposes, computes a base cost for each district, and, for purposes of calculating the state's contribution under the formula, changes the method for determining the capacity of each district to raise revenue locally. The current LSC School Funding Complete Resource provides a detailed analysis of the FY 2019 formula.² The following provides an overview of the fiscal implications of the proposed formula and other major provisions.

The proposed formula will be phased in for a period of time determined by the General Assembly. This analysis compares estimated funding levels under the proposed formula in H.B. 305 if it operated in FY 2021 fully phased in with the levels of foundation aid in FY 2021 under current law before any executive-ordered budget reductions.³ This analysis does not take into account Student Wellness and Success funds and other forms of state support, such as Quality Community School Support payments, under current law for FY 2021. It is not clear whether the bill's formula will replace these sources, which amount to \$400 million and \$30 million in FY 2021, respectively. Table 1 below summarizes the differences in formula aid under this scenario by school type. As the table shows, the state's contribution under H.B. 305, fully phased in for FY 2021, amounts to \$1.88 billion more than FY 2021 formula aid under current law. Most districts receive more state aid but some receive less.

Table 1. Comparison of Estimated Formula Aid Under Substitute H.B. 305 (I_133_0626-6) Fully Phased in by School Type, FY 2021 (\$ in millions)

School Type	Formula Aid After Transfers (Current Law Before Budget Reduction)	Sub. H.B. 305 (I_133_0626-6) Fully Phased in	\$ Change	% Change
Traditional districts	\$6,835.7	\$8,459.4	\$1,623.7	23.8%
Joint vocational school districts	\$323.4	\$442.6	\$119.2	36.8%

² https://www.lsc.ohio.gov/documents/reference/current/schoolfunding/sfcr_feb2019.pdf.

³ H.B. 166 of the 133rd General Assembly suspended the operation of the current law formula for FY 2020 and FY 2021 and, instead, provides foundation aid in the same amounts as FY 2019. Foundation aid was subsequently reduced by about \$300 million in FY 2020 to help balance the state budget in the wake of the economic disruption caused by the COVID-19 pandemic. The Office of Budget and Management has implemented spending controls that carry these reductions into FY 2021 for the time being.

**Table 1. Comparison of Estimated Formula Aid Under Substitute H.B. 305 (I_133_0626-6)
Fully Phased in by School Type, FY 2021 (\$ in millions)**

School Type	Formula Aid After Transfers (Current Law Before Budget Reduction)	Sub. H.B. 305 (I_133_0626-6) Fully Phased in	\$ Change	% Change
Community and STEM schools	\$874.6	\$1,007.4	\$132.9	15.2%
Scholarship programs	\$400.9	\$400.9	\$0	0.0%
Total	\$8,434.6	\$10,310.4	\$1,875.7	22.2%

Analysis of proposed school funding formula

Overview of formula changes

The bill gradually implements a new school funding formula beginning in FY 2022. In general, the formula will be phased in over time. However, the bill does not specify a duration for the phase-in of a school district's foundation funding. Rather, the General Assembly must determine the percentage of foundation funding that is to be phased in for each fiscal year. Nevertheless, the proposed formula is intended to be phased in over no more than six years until it is fully implemented in FY 2027. Among the major formula changes, the bill:

- Counts students in the district in which they are educated rather than the district in which they reside;
- Replaces the per-pupil formula amount (\$6,020) with a variable per-pupil base cost computed for each school district;
- Eliminates the state share index, a formula component used to equalize payments based upon district capacity to raise local revenues, and replaces it with a per-pupil local capacity amount for each district based on a district's property valuation and income;
- Eliminates current law calculations of targeted assistance and capacity aid and replaces them with new targeted assistance and supplemental targeted assistance components;
- Funds community and STEM schools and scholarship programs directly rather than through transfers of state aid from the students' resident districts;
- Guarantees each district receives in FY 2022 and FY 2023 at least the district's FY 2020 foundation aid before budget reductions (excluding transportation aid) after adjusting for school choice program transfers and, in future years, provides a per-pupil funding guarantee; and
- Modifies the transportation formula, in part, by progressively increasing the minimum state share of transportation formula costs and by creating a density supplement, an efficiency adjustment, and a stand-alone guarantee for transportation funds.

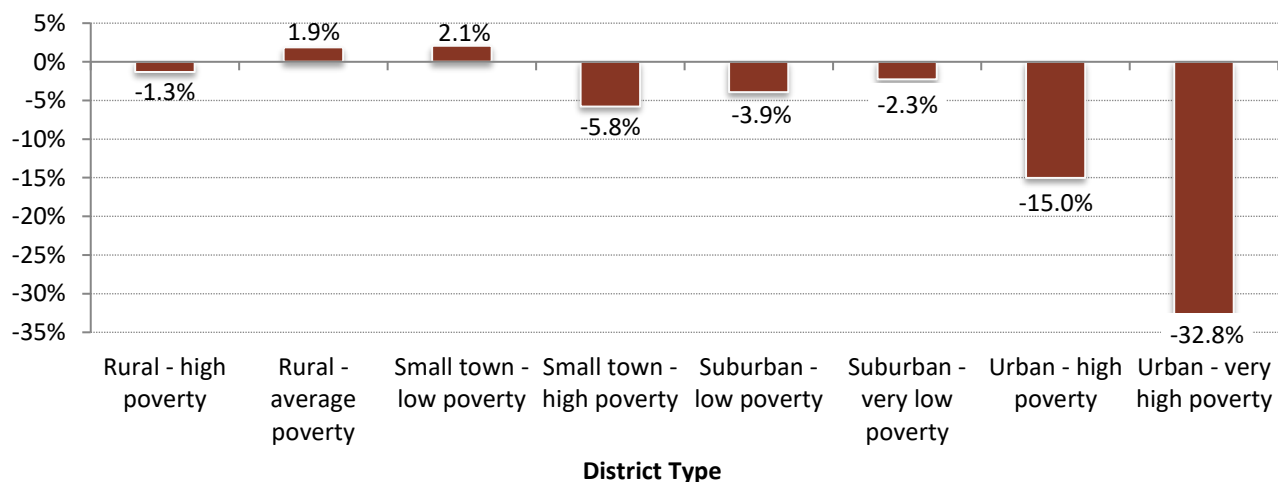
Enrolled average daily membership (ADM)

The bill modifies the manner in which students are counted for funding purposes. Currently, the student count for each school district is based on the number of students who

reside in the district (“formula ADM”). However, some students choose to obtain all of their education at schools that are not part of their resident districts. For example, some students attend community or STEM schools, some students attend other districts through open enrollment, and others attend nonpublic schools through state scholarship programs. In general, funding for these students is deducted from the state aid allocated to that district and transferred to the district or school where the students are actually educated. The bill replaces the concept of formula ADM with “enrolled ADM,” which is a count of the students that are educated by the district. The bill continues the current law practice of subtracting from a district’s student count 80% of the district’s JVSD students and adding 20% of the district’s students who are enrolled in another district under a career-technical education compact. The bill’s base cost mechanism uses a slightly different count. The “base cost enrolled ADM” is equal to the greater of the district’s enrolled ADM for the prior fiscal year or the average of the district’s enrolled ADM for the three prior fiscal years.

In FY 2021, statewide formula ADM for traditional school districts is projected to be 1.66 million full-time equivalent (FTE) students. In contrast, enrolled ADM for traditional districts in FY 2021 is projected to be 1.51 million FTE students, a difference of about 149,000 students (-9.0%). Most of the students who are no longer counted in their resident district either attend community or STEM schools (107,000 students). In general, the remainder attend nonpublic schools through scholarship programs (41,000). Community and STEM school and scholarship students tend to be concentrated in urban school districts. Chart 1 below illustrates the average percentage differences in formula ADM and enrolled ADM for FY 2021 by district comparison groupings (“typology”) developed by the Ohio Department of Education (ODE). As the chart shows, the student count decreases in the so-called “Big 8” very high-poverty urban school districts by nearly one-third while decreasing by 15.0% in other urban districts. Changes in other types of districts are much less drastic, with average changes ranging from a decrease of 5.8% in small town, high-poverty districts to an increase of 2.1% in small town, low-poverty districts. Small town, low-poverty and rural, average-poverty districts tend to show net gains due to students that open enroll into the districts. Districts whose student count decreases as a result of the bill would, all else equal, look wealthier on a per-pupil basis, which may lead to reduced funding from the state.

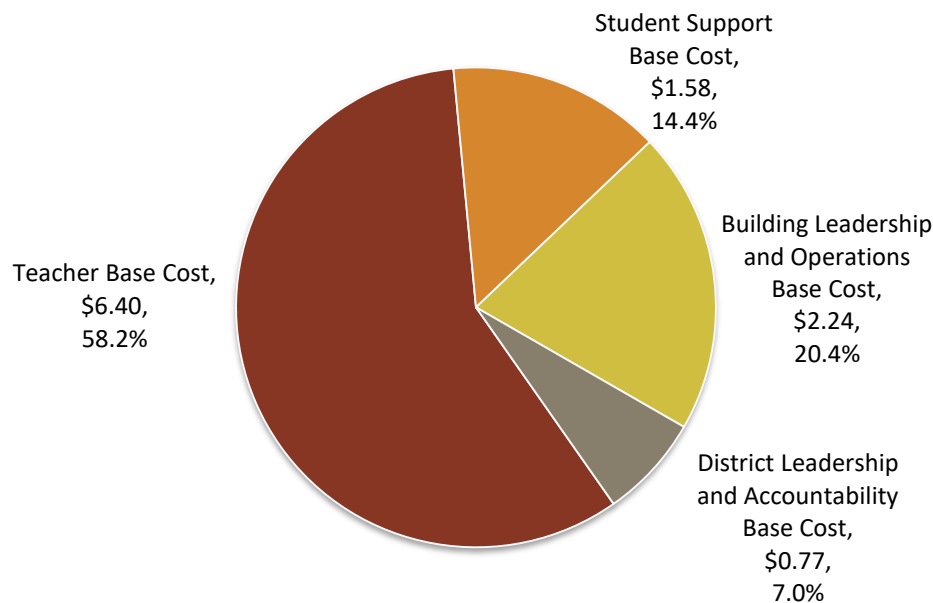
**Chart 1: Average Percentage Difference in Formula ADM and Enrolled ADM
by District Typology, FY 2021**



Base cost

The proposed formula first determines a “base cost” and then determines how state funding for this cost is distributed to school districts. A district’s base cost is made up of the following components: (1) teacher base cost, (2) student support base cost, (3) district leadership and accountability base cost, and (4) building leadership and operations base cost. The base cost components are calculated using various inputs, such as statewide average staff and teacher salary data, district-paid insurance costs, district spending data, and certain pupil-to-staff ratios. The average salaries and costs within the base cost computations are calculated using data from FY 2018. The base cost, including state and local shares, amounts to an estimated \$10.98 billion if the formula were in place in FY 2021. Chart 2 below illustrates the proportion each of the four main components represent of the total base cost. The teacher base cost is the largest element, comprising \$6.40 billion (58%).

Chart 2: Elements of the H.B. 305 Base Cost (\$ in billions), FY 2021



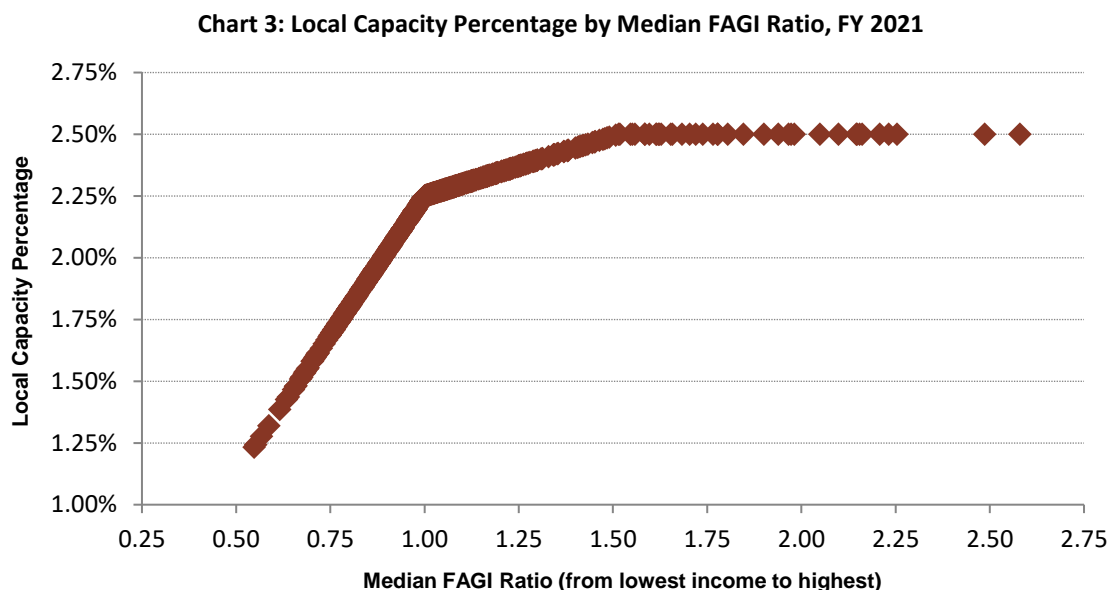
The proposed formula calculates a unique base cost per pupil that is equal to the district’s total base cost divided by the district’s base cost enrolled ADM. The statewide average base cost per pupil in the FY 2021 simulation for traditional districts is \$7,199. While it ranges from about \$7,000 to about \$15,000 for individual districts (excluding a few small outliers), the base cost per pupil is between \$7,000 and \$8,000 for about 525 districts (86%). In contrast, the per-pupil formula amount used in the FY 2019 formula (the most recent year that the formula in current law was operational) is a uniform \$6,020.

Per-pupil local capacity amount

Each school district’s capacity to raise revenues at the local level for the students residing in the district varies widely, as it is largely dependent on the taxable property value per pupil of the district. A major goal of the state’s school funding formula is to neutralize the effect of local property wealth disparities on students’ access to basic educational opportunities. To achieve this goal, Ohio’s school funding formula in current law uses an index, based on a district’s

three-year average property valuation and in some circumstances median and average income, to direct more state funds to districts with lower wealth. The proposed formula uses a different method to equalize wealth disparities. In general, it determines a district's capacity using a mix of a district's (1) valuation per pupil (60%), (2) federal adjusted gross income (FAGI) per pupil (20%), and (3) adjusted FAGI per pupil calculated by multiplying a district's median FAGI by the number of state income tax returns filed by district residents (20%). The three factors are added together to calculate the district's weighted capacity per pupil. For FY 2021, the statewide average weighted capacity per pupil was about \$182,000.

In essence, each district's per-pupil local capacity amount is calculated by multiplying the district's weighted capacity per pupil by a variable per-pupil local capacity percentage that cannot exceed 2.5%. The percentage is determined by first calculating a median FAGI ratio for each district based on how the district's median FAGI compares to the median FAGI for all districts statewide. The districts are then ranked from highest to lowest according to their ratios. If a district's ratio is among the highest 40 districts, the district's local capacity percentage equals 2.5%. If a district's ratio is less than the ratio of the 40th highest district but greater than 1.0 (i.e., the ratio for the district at the statewide median), the percentage is a scaled amount between 2.25% and 2.5%. If a district's ratio is less than or equal to 1.0, the percentage equals the district's ratio times 2.25%. Chart 3 below plots the local capacity percentage against district median FAGI ratios if the formula was in effect for FY 2021.



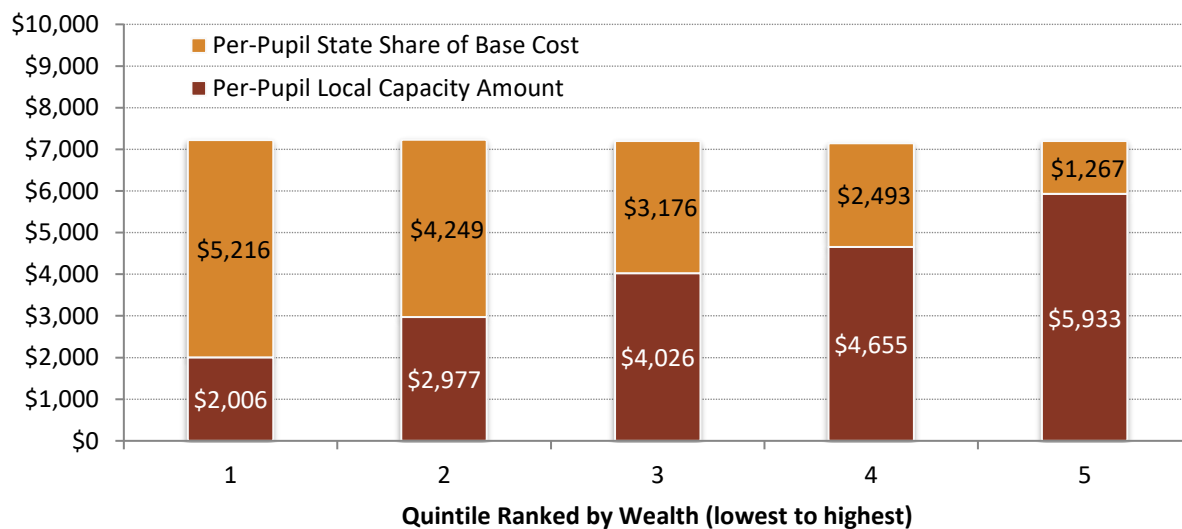
The statewide average per-pupil local capacity amount for FY 2021 is about \$3,900. As shown in the bottom portions of the bars in Chart 4 below, the per-pupil local capacity amount averages about \$2,000 for the lowest wealth districts and about \$5,900 for the highest wealth districts.⁴

⁴ To create the wealth quintiles, school districts are ranked from lowest to highest property value per pupil and separated into five quintiles with roughly the same number of pupils. Districts in quintile 1 have the lowest taxable property value per pupil, whereas districts in quintile 5 have the highest.

State share of the base cost and state share percentage

In general, a district's per-pupil local capacity amount is subtracted from the district's base cost per pupil to determine the district's per-pupil state share of the base cost. Thus, districts with lower per-pupil capacity amounts receive higher per-pupil state shares of the base cost and vice versa, as also illustrated in Chart 4. In general, the state share of the base cost is calculated by multiplying the per-pupil state share of the base cost by the district's enrolled ADM for the current year. If the proposed formula were fully in effect in FY 2021, the state share of the base cost for traditional districts would be \$4.98 billion, representing nearly 59% of total estimated formula aid. A district's state share percentage is equal to the district's state share of the base cost divided by the district's total base cost. This percentage is used in the calculation of certain formula components. The statewide average state share percentage under the proposed model in FY 2021 is 45.3%.

Chart 4: Estimated Average Per-Pupil State and Local Shares of the Base Cost by Wealth Quintile, H.B. 305 Fully Phased in, FY 2021



Targeted assistance and categorical components

While the state share of the base cost is the cornerstone of the proposed formula, it, like the formula in current law, also includes other components to direct additional funding to districts with lower capacities to raise local revenues, to address students that have different needs and districts that face different challenges. These components account for students receiving special education and related services, economically disadvantaged students, gifted students, students receiving career-technical education services, and English learners, among others. Notable changes to these components are briefly listed below. The bill:

- Replaces targeted assistance and capacity aid with two main elements, a wealth amount based on a district's weighted wealth per pupil and a capacity amount based on a district's aggregate weighted wealth. The bill creates a supplemental tier of targeted assistance for lower wealth districts whose enrolled ADM is less than 88% of its total ADM for FY 2019, based on a scaled amount between \$75 and \$750 per pupil.

- Replaces the per-pupil dollar amounts in the formula under current law for special education additional aid, career-technical education aid, and English learner funds with multiples (also referred to as “weights”). The weights, when multiplied by the statewide average base cost per pupil (or, for career-technical education aid, the statewide average career-technical education base cost per pupil) are the equivalent of the current law per-pupil amounts for each component except special education additional aid. The table below summarizes the differences between current law and the bill with regard to special education aid category amounts and weights.

Special Education Category	Current Law Per-Pupil Amount	H.B. 305 Multiple	H.B. 305 Equivalent Per-Pupil Amount
Category 1	\$1,578	0.2434	\$1,753
Category 2	\$4,005	0.6178	\$4,450
Category 3	\$9,622	1.4843	\$10,691
Category 4	\$12,841	1.9809	\$14,268
Category 5	\$17,390	2.6826	\$19,322
Category 6	\$25,637	3.9548	\$28,486

- Increases the base per-pupil amount used to calculate disadvantaged pupil impact aid (DPIA), previously called economically disadvantaged funds, by \$150 (55%), from \$272 under current law to \$422. The formula continues to include community school and STEM school students who are economically disadvantaged when calculating the statewide percentage of economically disadvantaged students.
- Modifies the students included in categories two and three of English learner students to consist of students who have been enrolled for more than 180 days until they successfully achieve proficiency on the assessments and students who have achieved proficiency for two successive school years, respectively.
- Provides new funding for gifted referrals and professional development, increases the salaries associated with gifted intervention specialist and coordinator units but equalizes all gifted funding elements according to a district’s state share percentage (under the current formula, gifted funding is not subject to the district’s state share index).
- Requires English learner funds to be spent by school districts, community schools, and STEM schools only for services for English learners and gifted funds to be spent by school districts only for gifted education and related services.
- Modifies the transportation formula by (1) progressively increasing the minimum state share of the transportation formula to 50% by FY 2027, (2) including riders that live less than one mile from school in the formula, (3) applying to the statewide average cost per

rider a weight of 1.5 for community and STEM school students and a weight of 2.0 for nonpublic school students when calculating a district's cost for the number of students transported, (4) revising the density supplement by calculating density based on a district's qualifying riders, instead of total ADM, and qualifying for the supplement districts with a density less than 28 riders per square mile, instead of 50 total ADM per square mile, and (5) adding an efficiency adjustment.

- Eliminates K-3 literacy funds and performance bonuses.

Final aid

The proposed formula is to be phased in over time, except for certain exempt components. In general, the phase-in is based on a district's FY 2020 foundation aid after school choice program transfers but excludes DPIA and transportation aid (the "phase-in funding base"). The phased-in amount is the district's phase-in funding base plus the difference between the district's phase-in funding base and the sum of the district's foundation funding components subject to the phase-in multiplied by the phase-in percentage. The bill does not specify phase-in percentages other than stating the General Assembly's intent that the formula is to be funded at 100% by FY 2027 and each fiscal year after.

For FY 2022 and FY 2023, the bill provides temporary transitional aid to guarantee each district a total amount of foundation funding equal to its phase-in funding base plus DPIA. For FY 2024 and for each fiscal year thereafter, the bill guarantees each district a per-pupil amount of foundation funding equal to the district's "guaranteed funding" for the third preceding fiscal year divided by the average of the district's enrolled ADM for the third, fourth, and fifth preceding fiscal years. For example, the FY 2024 calculation would guarantee a per-pupil amount equal to the district's FY 2021 funding divided by the average of the district's enrolled ADM for FY 2019, FY 2020, and FY 2021. However, during the period of the phase-in, if the number of open enrollment students entering a district decreases from the prior year by the greater of 20 students or 10% (the "decrease threshold"), the district's guarantee base is reduced by an amount equal to the product of the statewide average base cost per pupil and the reduction in the number of open enrollment students above the decrease threshold.

DPIA and components exempt from both the phase-in and guarantee, consisting of supplemental targeted assistance and transportation (which is guaranteed separately), are added to the phased-in amount and temporary transitional aid to determine a district's final aid.

JVSDs

The bill's funding formula for JVSDs is similar to the formula for traditional districts, with several modifications, including to components used to calculate the base cost. Additionally, a JVSD's state share continues to be calculated using a $\frac{1}{2}$ of one mill charge-off but the charge-off rate is multiplied by the lesser of the district's three-year average taxable property value or its most recent year's taxable property value. As under current law, JVSDs do not receive targeted assistance, gifted funding, or transportation aid under the bill. Funding for JVSDs is intended to be phased in through a method similar to traditional districts.

Community and STEM schools

The bill funds community and STEM schools directly rather than through transfers of state aid from the students' resident districts. The funding formula for community and STEM schools

is similar to the formula for traditional districts. The bill calculates the same four base cost components that are calculated for traditional school districts, but with modifications. Notably, current year enrolled ADM data is used and each school's student support, leadership and accountability, and building leadership and operations base cost components are each equal to 90% of the per-pupil statewide average for the respective base cost component for traditional districts times the school's enrollment.⁵ The bill continues to limit the funding components received by e-schools to the base cost, special education additional aid, and career-technical education additional aid. Funding for community and STEM schools is intended to be phased in through a method similar to traditional districts.

Scholarship programs

The Educational Choice Scholarship Program (EdChoice), the Autism Scholarship Program, and the Jon Peterson Special Needs Scholarship Program are also directly funded under the bill, rather than deducting the amounts of those scholarships from students' districts of residence. The bill also directly funds the Cleveland Scholarship Program which, under current law, is funded by both a deduction from Cleveland Municipal School District's foundation funding and direct state payments through an earmark of GRF line item 200550, Foundation Funding. The bill maintains the maximum scholarship amounts specified in current law. The income-based EdChoice Program, currently funded directly by the state through GRF line item 200573, EdChoice Expansion, is unaffected by the bill.

Funding priorities

During the period of the phase-in, the bill gives first priority to fully funding DPIA and second priority to funding state operating support for educational service centers, requiring surplus GRF revenues from FY 2022 through FY 2027 to be used exclusively to help the state do so. Further, the bill specifies that it is the intent of the General Assembly that an amount equal to the estimated increase in revenues in the GRF that is determined as part of the development of the main operating budget for FY 2022 and FY 2023 first be used to fund DPIA. Ultimately, if the amounts appropriated for formula and other aid are insufficient, the Department must prorate the payments so that the amount allocated is not exceeded.

Comparison of FY 2021 proposed funding without phase-ins

Table 3 below summarizes the differences in cost between current law and proposed formula aid fully phased in in FY 2021 by formula component. Component amounts under current law generally are imputed based on the actual amount allocated in FY 2019. Each component's total consists of funding for traditional districts, JVSs, community and STEM schools, and scholarship programs. As the table illustrates, the proposed formula's overall marginal cost of \$1.88 billion in this scenario is driven by the state share of the base cost and DPIA. The former component is about \$1.46 billion (30.4%) more than the analogous imputed Opportunity Grant for FY 2021 while the latter is about \$316 million (74.7%) more than the estimated economically

⁵ For purposes of determining each community and STEM school's base cost, the statewide average student support base cost per pupil for traditional districts is calculated after subtracting the athletic co-curricular activities cost.

disadvantaged aid amount in FY 2021. Changes in other formula components largely offset each other.

**Table 3. Comparison of Estimated Formula Aid Under Sub. H.B. 305 (I_133_0626-6)
Fully Phased in by Formula Component, FY 2021 (\$ in millions)**

Component	Estimated Formula Aid Net of Transfers (Current Law Before Budget Reductions)	Estimated Sub. H.B. 305 (I_133_0626-6) Fully Phased in	\$ Change	% Change
State share of base cost	\$4,803.2	\$6,262.6	\$1,459.4	30.4%
Targeted assistance/capacity aid	\$1,117.4	\$1,006.7	-\$110.7	-9.9%
Special education additional aid	\$918.4	\$1,089.0	\$170.6	18.6%
Transportation funds	\$465.8	\$616.2	\$150.4	32.3%
Disadvantaged pupil impact aid	\$423.5	\$739.7	\$316.3	74.7%
Career-technical education aid	\$160.7	\$182.1	\$21.4	13.3%
K-3 literacy funds	\$102.7	\$0	-\$102.7	-100%
Gifted funds	\$74.2	\$92.8	\$18.6	25.1%
Performance bonuses	\$36.7	\$0	-\$36.7	-100%
English learner funds	\$31.7	\$45.4	\$13.8	43.5%
Enrollment growth supplement	\$23.0	\$0	-\$23.0	-100%
Temporary transitional aid	\$277.4	\$275.8	-\$1.6	-0.6%
Total	\$8,434.6	\$10,310.4	\$1,875.7	22.2%

Effects on other state subsidies

Special education transportation reimbursement

The state reimburses school districts for the cost of transportation special education students who are not transported on regular school buses on regular routes. Under current law, districts receive an amount equal to the actual cost of providing special transportation up to \$6 per child per instructional day plus one-half the actual cost in excess of \$6 per day multiplied by the district's state share index or the statutory minimum state share index for the base transportation formula, whichever is larger. Reimbursements to individual districts are limited to no more than 200% of the statewide average cost of transportation per child. The bill alters the reimbursement formula by multiplying the actual cost the district incurred for special

transportation by the greater of the district's state share percentage or a state minimum percentage equal to 29.17% in FY 2022, progressively increasing to 50% in FY 2027. The bill also removes the cap on the amount a district can be reimbursed. The proposed formula substantially increases reimbursements. Were the proposal fully in effect for FY 2021, special education transportation payments would have equaled about \$135 million, an increase of \$74.5 million (123%) from the \$60.5 million allocated under the current law.

Special education for school-age children at county DD boards

The state provides GRF funds for special education and related services for school-age children educated by county developmental disabilities (DD) boards. Currently, for each child, a county DD board receives the full per-pupil formula amount plus the applicable special education category amount for that child's disability category, the latter of which is adjusted by the state share index of the child's resident district. In general, the bill makes conforming changes for consistency with the proposed formula for school districts. Accordingly, it replaces the formula amount with the statewide average base cost per pupil, the applicable special education category amount with the applicable weight multiplied by the statewide average base cost per pupil, and the state share index with the state share percentage. As a result of these changes, state aid to county DD boards in FY 2021 would have been higher than current law by about \$4.5 million.

Preschool special education

The bill makes similar changes to the formula for determining state aid to school districts for preschool special education services. Under current law, each school district receives \$4,000 for each preschool student with disabilities plus additional special education aid based on the applicable special education category amount for each student and the resident district's state share index. The bill replaces the applicable special education category amount with the applicable weight multiplied by the statewide average base cost per pupil and the state share index with the state share percentage. Compared to the estimated current law amount before the payments are prorated to fit within the appropriation, the bill's changes increase state aid for preschool special education in FY 2021 by roughly \$5 million. Compared to the current law prorated amount, payments are higher by about \$29.0 million.

Educational service center operating support

Under current law, educational service centers (ESCs) receive per-pupil operating support from the GRF according to the enrollment of the school districts with which the ESC has entered into a service agreement (the ESC's "student count"). ESCs designated as "high performing" receive \$26 per pupil while those ESCs not designated as such receive \$24 per pupil. Currently, all ESCs are designated as high performing. The bill creates a tiered system of per-pupil funding for ESCs based on the ESC's student count, as follows:

- A lump sum of \$356,250 if the ESC's student count is 5,000 or less;
- A lump sum of \$356,250 and an additional \$24.72 for each student above 5,000 in the ESC's student count if the student count is greater than 5,000 and less than or equal to 35,000;
- A lump sum of \$356,250 and an additional \$24.72 for each student above 5,000 in the ESC's student count plus an additional per-pupil amount of \$30.90 for each student above 35,000 in the ESC's student count if the student count is greater than 35,000.

If this formula were in effect for FY 2021, ESC funding statewide would have amounted to an estimated \$53.3 million, or \$13.3 million more than actual allocations.

Career awareness and exploration aid

The bill creates a separate per-pupil subsidy outside of the main formula for career awareness and exploration. This aid equals a district's or school's enrolled ADM times \$2.50 for FY 2022, \$5 for FY 2023, \$7.50 for FY 2024, or \$10 for FY 2025 and each fiscal year after. The funds are first transferred from the district or school to the lead district of the career-technical planning district (CTPD) with which the district or school is affiliated. The lead district then disburses the funds to districts and schools receiving services from the CTPD that provide plans for the use of the money that are consistent with the CTPD's plan on file with ODE. The funds are restricted to certain purposes specified by the bill. If the payment were fully phased in for FY 2021, the payment would have generated a total of \$16.7 million for school districts, community schools, and STEM schools.

Other provisions

Required studies

The bill requires several state agencies, primarily ODE, to conduct or consult on nine education-related studies, which must be completed by December 31, 2022. The bill appropriates \$5 million in FY 2021 from lottery profits in new line item 200611, Education Studies, to pay for these studies and two authorized under current law (one concerning economically disadvantaged students and the other concerning preschool education). The bill provides for any unused amount from this appropriation at the end of FY 2021 to be reappropriated for FY 2022. Table 4 below lists the studies required by the bill along with the agencies participating in them.

Study	Participating Agencies
Community schools operation cost	ODE
Educational service centers	ODE and the Auditor of State
English language learners	ODE
Gifted services	ODE and the Auditor of State
Incentives for rural districts serving identified gifted children	ODE
Inventory of state budget line items that provide funding services to children	Office of Budget and Management, in consultation with ODE
Cost to educate e-school students	ODE
Special education and transportation of special education students	ODE

Table 4. Studies Required By H.B. 305

Study	Participating Agencies
Transportation of community school and nonpublic school students	Joint legislative task force, in consultation with ODE and the Auditor of State

School Funding Oversight Commission

The bill creates the School Funding Oversight Commission which will, among other duties, evaluate the implementation of the bill's components and review the education studies described above. The state may incur some minimal administrative costs annually to support the work of the Commission.

Transportation funding intent language

Bus purchase grants

The bill includes language stating the intent of the General Assembly to appropriate funds for two transportation-related programs for FY 2022 and FY 2023. The bill states the intent to appropriate \$45 million in each of FY 2022 and FY 2023 to provide school bus purchase assistance. The funds would be supported by transfers from the GRF. This is similar to an existing \$20 million program in ODE's budget in FY 2021 for the same general purpose, though the bill's program would allocate funds differently than the current law program.

Under the bill, the intended appropriation above would be used by ODE to distribute grants of not less than \$45,000 to traditional school districts for the purpose of replacing the oldest and highest mileage vehicles in the state still assigned to routes. In contrast, the existing program allocates funds based on the percentage of a district's regular service buses that are eight years or older, with awards going to districts with the highest percentages first. ODE awarded funds to a district based on the ranking list for one bus at a time until the funds were exhausted. A district's award for each bus equals \$86,700 multiplied by the district's state share index for FY 2019.

Transportation collaboration grants

The bill also states the General Assembly's intent to appropriate \$250,000 in each of FY 2022 and FY 2023 to provide transportation collaboration grants. These grants will be awarded to districts for activities that lead to or have the potential to reduce transportation operating costs, such as shared resource management or routing consolidation. Individual grants may not exceed \$10,000 per fiscal year, meaning there can be a minimum of 25 grants awarded each fiscal year. The grants would also be supported by transfers from the GRF.