



Ohio Legislative Service Commission

Bill Analysis

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H.B. 2

131st General Assembly
(As Introduced)

Reps. Dovilla, Roegner

BILL SUMMARY

- Prohibits certain low-performing community schools from entering into a contract with a new sponsor without first receiving approval from the Department of Education.
- Clarifies that each contract between a sponsor and a governing authority must contain performance standards, including all applicable report card measures.
- Requires that each contract between a sponsor and a governing authority contain an addendum with a detailed description of each facility, its associated costs, the annual mortgage principal and interest payments, and the name of the lender.
- Requires that the financial plan contained in each contract between a sponsor and governing authority is subject to review and approval by the Department of Education and requires existing schools to include in that plan the school's most recent financial statements.
- Prohibits an employee of a school district or educational service center or an employee of a vender that is engaged under a contract with a school district or a service center from serving on the governing authority of any community school sponsored by that district or service center.
- Requires each member of a community school governing authority to annually file a disclosure statement setting forth potential conflicts of interest.
- Requires that the statutorily designated fiscal officer of a community school be employed by or engaged under a contract with the governing authority of that community school.

- Requires each sponsor to annually report the amount and type of expenditures made providing oversight and technical assistance to each community school the entity sponsors and requires the State Board of Education to establish requirements for that reporting procedure.
- Requires that copies of financial and enrollment records be furnished to the sponsor, members of the governing authority, and the designated fiscal officer on a monthly basis.
- Requires the sponsor of each Internet- or computer-based community school to monitor and ensure compliance with the required online learning standards.
- Requires the sponsor to submit assurances to the Department of Education that it has reviewed certain information provided by each school that will operate using the blended learning model within ten days of that school's opening each year.
- Prohibits the sponsor of a community school from entering into any new or renewed contracts selling any goods or services to any community school it sponsors.
- Requires all new and renewed contracts between the governing authority and an operator to include criteria for early termination, notification procedures, and a stipulation of facilities and property ownership.
- Requires the Department of Education to develop, maintain, and publish an annual performance report for all operators of community schools in the state.
- Eliminates a prescribed appeal procedure in cases in which the governing authority has notified the operator of its intent to terminate or not renew the operator's contract.
- Requires the State Board of Education by December 31, 2015, to make recommendations to the General Assembly and the Governor regarding performance standards for community schools in which a majority of the enrolled students are children with disabilities and the feasibility of removal of the exemption from permanent closure for such schools.
- Effective July 1, 2016, removes the exception from combining state report card data for certain dropout conversion community schools with that of their sponsoring school districts.
- Requires the Department of Education, in consultation with the Auditor of State, to provide guidance to assist each community school in the creation of policies and procedures related to internal financial controls.

CONTENT AND OPERATION

Background on community schools in general

Community schools (often called "charter schools") are public schools that operate independently from any school district under a contract with a sponsoring entity. A conversion community school, created by converting an existing school, may be located in and sponsored by any school district or educational service center in the state. On the other hand, a new "start-up" community school may be located only in a "challenged school district." A challenged school district is any of the following: (1) a "Big-Eight" school district (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, or Youngstown), (2) a poorly performing school district as determined by the school's performance index, value-added progress dimension, or overall score ratings on the state report card, or (3) a school district in the original community school pilot project area (Lucas County).¹

The sponsor of a start-up community school may be any of the following:

- (1) The school district in which the school is located;
- (2) A school district located in the same county as the district in which the school is located has a major portion of its territory;
- (3) A joint vocational school district serving the same county as the district in which the school is located has a major portion of its territory;
- (4) An educational service center;
- (5) The board of trustees of a state university (or the board's designee) under certain specified conditions;
- (6) A federally tax-exempt entity under certain specified conditions; or
- (7) The mayor of Columbus for new community schools in the Columbus City School District under specified conditions. However, it does not appear that those conditions have been triggered.²

¹ R.C. 3314.02(A)(3).

² R.C. 3314.02(C)(1)(a) through (g).



Governance

The term "governing authority" generally refers to a group of individuals selected by the proposing person or group to carry out and ensure the performance of school functions and the contract entered into with the sponsor of the community school.³ Under continuing law, each governing authority must consist of a board of not less than five individuals who each serve on no more than five community school boards at the same time.⁴

Operators

The term "operator" is defined by statutory law as either of the following:

- An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator and the school's governing authority; or
- A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards.⁵

Many community school governing authorities contract with an operator to run the day-to-day operations of the school. The school's contract with the operator is separate from the school's contract with the sponsor.

Switching sponsors

Under the bill, starting December 31, 2015, any community school to which either of the following conditions applies must first receive approval from the Department of Education before it may enter into a contract with a new sponsor:

(1) The community school has received a grade of "D" or "F" for the performance index score and an overall grade of "D" or "F" for the value-added progress dimension or another measure of student academic progress if adopted by the State Board on the most recent state report card issued for the school.

³ R.C. 3314.01(B).

⁴ R.C. 3314.02(E).

⁵ R.C. 3314.02(A)(8).



(2) The community school primarily offers a drop out recovery program, and it has received a rating of "does not meet standards" for the annual student growth measure and combined graduation rates on the most recent state report card issued for the school.⁶ Such schools are rated under a rating system that is different from that used for all other public schools, including other community schools.

Contract to establish a community school

Each contract entered into between a sponsor and the governing authority of a community school must contain statutorily prescribed statements, descriptions, or assurances. The bill makes the following changes regarding what must be included within each contract:

(1) Clarifies that the performance standards the sponsor will use to evaluate the school must include all applicable state report card measures;⁷

(2) Expands the requirement that the facilities to be used must be outlined in the contract by requiring an addendum to the contract containing at least a detailed description of each facility, the annual costs associated with leasing each facility, the annual mortgage principal and interest payments, and the name of the lender;⁸

(3) Adds that each school's financial plan, which must be included in the contract, is subject to review and approval by the Department of Education;⁹ and

(4) Requires existing schools to include language requiring submission to the Department of the school's two most recent financial statements.¹⁰

Governing authority members

In addition to the restrictions on governing board members under the continuing law, the bill provides that no employee of a school district or educational service center and no employee of a vendor that is engaged under a contract with a school district or

⁶ R.C. 3314.034.

⁷ R.C. 3314.03(A)(4).

⁸ R.C. 3314.03(A)(9).

⁹ R.C. 3314.03(A)(15).

¹⁰ R.C. 3314.03(A)(15).



service center may serve on the governing authority of any community school sponsored by that school district or service center.¹¹

The bill also requires each member of the governing authority of a community school to annually file a disclosure statement setting forth the names of any immediate relatives or business associates employed by the sponsor or operator of that community school, school district, or educational service center that has contracted with that community school, or a vender that is currently engaged in business or has previously engaged in business with that community school.¹²

Designated fiscal officer

Under continuing law, every community school must have a designated fiscal officer. The bill requires that fiscal officer to be employed by, or engaged under a contract with, the governing authority of the community school.¹³

Sponsor oversight and monitoring

Under the bill, each sponsor annually must submit a report, using the format and manner prescribed by the State Board of Education, describing the amount and type of expenditures made in providing oversight and technical assistance to each community school the entity sponsors.¹⁴ The bill also requires the State Board, within 90 days after the bill's effective date, to establish requirements and a reporting procedure to aid sponsors in compliance with this requirement.¹⁵

Under continuing law, the sponsor of each community school must meet with the governing authority or treasurer of the school and review the financial and enrollment records at least once every month. The bill requires that copies of those records be furnished to the sponsor, each member of the governing authority, and the fiscal officer of the community school on a monthly basis.¹⁶

¹¹ R.C. 3314.02(E)(5).

¹² R.C. 3314.02(E)(6).

¹³ R.C. 3314.011.

¹⁴ R.C. 3314.025(A).

¹⁵ R.C. 3314.025(B).

¹⁶ R.C. 3314.023.

Online learning standards

The bill requires the sponsor of each Internet- or computer-based community school (e-school) to monitor and ensure compliance with the online learning standards for those schools. The sponsor of an e-school must report a school's failure to comply with the standards to the Department of Education.¹⁷ Under continuing law each e-school must comply with the standards developed by the International Association for K-12 Online Learning.¹⁸

Blended learning

The bill requires the sponsor of each community school that operates using the blended learning method to provide to the Department of Education, not later than ten business days prior to the opening of the school each year, assurance that the sponsor has reviewed the following information submitted by the school:

- (1) An indication of what blended learning model or models will be used;
- (2) A description of how student instructional needs will be determined and documented;
- (3) The method to be used for determining competency, granting credit, and promoting students to a higher grade level;
- (4) The school's attendance requirements, including how the school will document participation in learning opportunities;
- (5) A statement describing how student progress will be monitored;
- (6) A statement describing how private student data will be protected;
- (7) A description of the professional development activities that will be offered to teachers.¹⁹

This requirement is in addition to other assurances each sponsor must submit to the Department each year.

Continuing law defines "blended learning" as the delivery of instruction in a combination of time in a supervised physical location away from home and online

¹⁷ R.C. 3314.23(C).

¹⁸ R.C. 3314.23(A).

¹⁹ R.C. 3314.19(N).



delivery whereby the student has some element of control over time, place, path, or pace of learning.²⁰ Community schools, as well as school districts and other types of public and private schools, are specifically authorized by a separate continuing law to operate all or part of a school using a blended learning model. That statute also states that an Internet- or computer-based community school is not a "blended learning school."²¹

Selling of services

The bill prohibits the sponsor of a community school from selling any goods or services to that school. However, the sponsor is not required to comply with this requirement with respect to any contract for involving the sale of goods or services entered into prior to the bill's effective date until the expiration of the contract.²²

Continuing law does permit a sponsor to charge a fee for its oversight and monitoring duties, in an amount of up to 3% of the total amount of the school's state operating payments.²³

Operator contracts

The bill requires that, on or after the bill's effective date, any new or renewed contract between the governing authority of a community school and an operator to include at least the following:

- (1) Criteria to be used for early termination of the operator contract;
- (2) Required notification procedures and timeline for early termination or nonrenewal of the operator contract;
- (3) A stipulation of which entity owns all community school facilities and property including, but not limited to, equipment, furniture, fixtures, instructional materials and supplies, computers, printers, and other digital devices purchased by the governing authority or operator.²⁴

²⁰ R.C. 3301.079(K)(1), not in the bill.

²¹ R.C. 3302.41, not in the bill.

²² R.C. 3314.46.

²³ R.C. 3314.03(C).

²⁴ R.C. 3314.032.

Operator performance ratings

Under the bill, beginning December 31, 2015, the Department of Education must maintain an accurate record of the names and identifying information of all entities that have entered an operator contract with the governing authority of a community school. The bill also requires the Department to receive from the governing authority of each community school a copy of the operator contract. Furthermore, by July 1, 2016, the Department must develop and publish an annual performance report for all operators of community schools in the state. The report must be made available on the Department's website.²⁵

Elimination of appeal procedures for termination of operator contract

The bill repeals a statute that prescribes an appeal procedure in cases in which the governing authority has notified the operator of its intent to terminate or not renew the operator's contract.

Under that procedure, the operator may appeal the decision to the school's sponsor, except that if the sponsor has sponsored the school for less than 12 months, the appeal must be made to the State Board of Education. The sponsor or the State Board must determine whether the operator should continue to manage the school, taking into consideration whether the operator has managed the school in compliance with law and the terms of the contract between the sponsor and the school and whether the school's progress in meeting the academic goals stated in that contract has been satisfactory. If the sponsor or State Board decides that the operator should continue to manage the school, the sponsor must remove the existing governing authority and the operator must appoint a new one for the school.²⁶

Recommendations on the closure of poor performing community schools that predominantly serve students with disabilities

The bill requires the State Board of Education by December 31, 2015, to make recommendations to the General Assembly and the Governor regarding performance standards for community schools in which a majority of the enrolled students are children with disabilities receiving special education and related services; and the feasibility of removal of the exemption from permanent closure for such schools.²⁷ Currently, most community schools are subject to permanent closure for persistent poor

²⁵ R.C. 3314.031.

²⁶ Repealed R.C. 3314.026.

²⁷ Section 3.

performance based on prescribed state report card criteria.²⁸ But community schools that predominately serve students with disabilities are exempt from those closure provisions.²⁹

Combining conversion school report card data with that of its sponsoring district

Current law permits the combining of state report card data for certain kinds of community schools with that of their sponsoring school districts. One such case is that of a conversion community school sponsored by a school district. However, that provision does not apply to conversion community schools that primarily enroll students between 16 and 22 years of age who dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions. The bill removes that exception effective July 1, 2016.³⁰

Financial controls

The bill requires the Department of Education, in consultation with the Auditor of State, to provide guidance to assist each community school in the creation of policies and procedures related to internal financial controls.³¹ Continuing law requires that each contract between a sponsor and a governing authority contain a provision on internal financial controls.

HISTORY

ACTION	DATE
Introduced	01-28-15

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²⁸ R.C. 3314.35 and 3314.351, neither in the bill.

²⁹ R.C. 3314.35(A)(4)(b).

³⁰ R.C. 3302.03(I).

³¹ R.C. 3314.03(B)(5).

