

League of Women Voters of Ohio
Preliminary Analysis of HB153 (Amstutz) Biennial Budget
Education Components
April 4, 2011
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The following analysis of HB153 (Amstutz), the proposed Biennial Budget for K-12 Education, was prepared from the language in HB153; the Legislative Service Commission's (LSC) Redbook for the Department of Education; and the LSC's analysis of HB153. These documents are available at <http://www.lsc.state.oh.us/budget/mainbudget.htm>.

OVERVIEW (This information is found in the LSC Redbook for Education)

- There are 612 schools districts; 49 joint vocational school districts; 339 community schools; 58 educational service centers, other regional providers, and 757 state-chartered nonpublic schools.
- Enrollment in public schools is 1.8 million; enrollment in charter schools is over 99,000 students; enrollment in nonpublic schools is 182,968 students in 2011. Enrollment for both public schools and nonpublic schools has been declining since 2000, however, since 2000 the enrollment in nonpublic schools has declined by over 60,000 students from 242,989.

FINANCIAL INFORMATION

- In FY08, Ohio's public school per pupil operating expenditures were \$10,173, \$86 (0.8 percent) below the national average of \$10,259.
- During the ten-year period from FY99 to FY08, Ohio's per pupil operating expenditures increased by \$3,601 (54.8 percent). The national average increased by \$3,801 (58.9 percent).
- In FY10, Ohio's average teacher salary of \$55,958 ranked 14th in the nation. The national average increased by 32.0 percent, from \$41,807 in FY00 to \$55,202 in FY10.
- Salaries and fringe benefits account for approximately 77 percent of school district general fund budgets statewide in FY10. This percentage has decreased over the past five years from 80 percent in FY05.
- The portion of school district budgets spent on fringe benefits has increased from 20 percent in FY05 to 21 percent in FY10, while the portion spent on salaries has decreased from 60 percent in FY05 to 56 percent in FY10.
- Due to the rapid growth in health insurance premiums, the cost of fringe benefits has increased dramatically from 34 percent of the cost of salaries in FY05 to 37 percent in FY10.
- As the percentage of district budgets spent on salaries has declined, the percentage spent on purchased services, such as pupil transportation, utilities, maintenance and repairs, and other services not provided by district personnel, has increased, from 13 percent in FY05 to 16 percent in FY10.

ISSUES OF EQUITY (LSC Redbook)

REVENUES

- Local revenues comprised 45.7 percent of total school revenues in FY10. Locally voted property taxes comprised 96.2 percent and school district income taxes accounted 3.8 percent of local revenues.
- State revenues comprised 44.0 percent of total school revenues in FY10. State funding comes mainly from the General Revenue Fund (GRF), which receives revenues primarily from the state income and sales taxes. Most state funds are distributed through the school funding formula, while some are distributed through competitive and noncompetitive grants.
- Federal revenues comprised 10.2 percent of total school revenues in FY10. Federal revenues mainly target special education and disadvantaged students. The federal share of total school revenue has increased since the passage of the No Child Left Behind Act of 2001.

SCHOOL DISTRICT VALUATION

- The statewide average school district valuation in FY10 was \$145,200 per pupil. A 20-mill (2 percent) property tax levy generates \$1,680 per pupil for a district with a valuation per pupil of \$84,000 and \$4,840 per pupil for a district with a valuation per pupil of \$242,000. Overall valuation is decreasing because of the decline in the value of real property.

DISTRICT COMPARISONS

(Please note: Similar information for community schools was not published in the LSC Redbook.)

- In FY09, the average per pupil spending for different district comparison groups varied from a low of \$8,680 for small rural, low poverty districts to a high of \$13,116 for major urban, very high poverty districts. The state average was \$10,254.
- Rural districts tend to have the lowest spending per pupil, averaging \$8,879 per pupil for the three rural comparison groups, which is 13.4 percent (\$1,375) below the state average. These districts include 29.2 percent of total state enrollment.
- Very high poverty major urban districts and the highest income suburban districts had the highest spending per pupil among all district comparison groups in FY09, spending 27.9 percent (\$2,862) and 8.1 percent (\$831), respectively, above the state average.
- On average, school districts spent 55.4 percent on instruction, 19.5 percent on building operations, 11.7 percent on administration, 10.2 percent on pupil support, and 3.2 percent on staff support.
- This spending allocation varies only slightly across district comparison groups. Rural districts tend to spend a higher than average percentage on building operations, which includes pupil transportation; suburban districts tend to spend a higher than average percentage on instruction; and urban districts tend to spend a higher than average percentage on staff support.

PRELIMINARY ANALYSIS OF HB153 (Amstutz) BIENNIAL BUDGET

PROPOSED FUNDING LEVELS

- Provides a total appropriation of \$11.29 billion in FY12 and \$10.80 billion in FY13 for K-12 education compared to FY11 estimates of \$12,580,628.897.

-Appropriates through GRF Foundation Funding (200550) \$5.4 billion in FY12 and \$5.5 billion in FY13. Lottery Profit Funds (200612) is \$717 million in FY12 and \$680 million in FY13. These two funds provide the majority of funding for K-12 education, \$6.13 billion in FY12 and \$6.18 billion in FY13. According to LSC, total foundation funding for traditional school districts decreases by over \$330.0 million in FY12 compared to FY11, because of the loss of federal State Fiscal Stabilization Funds (SFSF).

-Federal funds make up 19.6 percent of the total education budget; the Revenue Distribution Fund Group, which provides reimbursements to school districts and joint vocational school districts for property tax losses due to utility deregulation and the phase-out of the business tangible personal property tax (TPP), makes-up 5.7 percent.

-Allocates 98 percent of funds to school districts, jt. vocational school districts, educational service centers, nonpublic schools; etc. The budget for the Ohio Department of Education (ODE) is approximately \$403.8 million (1.8 percent).

STATE AID FORMULA

•Temporary State Aid Formula: Repeals most sections of Ohio Revised Code 3306, which include the provisions outlining the components of the Evidence-Based Model enacted in HB1 - Sykes, the biennial budget for the 128th General Assembly.

Establishes a temporary formula (Section 267.30.50) for distributing state aid to schools in FY12 and FY13, entitled "FUNDING FOR CITY, EXEMPTED VILLAGE, AND LOCAL SCHOOL DISTRICTS". The temporary formula adjusts FY11 state aid to school districts for ADM using the current October count in FY11; applies an index based on district property wealth; applies a statewide per pupil adjustment so that the total statewide aid does not exceed the total amount appropriated for three line items: transportation GRF200502, foundation funding GRF200550, and lottery profits GRF200612; multiplies the district's adjusted per pupil amount for each fiscal year by ADM. Repeals 51 sections of law. A list of the repealed sections is included following this analysis.

•Average Daily Membership (ADM): Reverts back to using the October count in the current school year to determine average daily membership rather than using the ADM of the previous year's October count, with adjustments, to determine state aid. Counts kindergarten students as one regardless of whether or not the student is attending a full day of kindergarten instruction. This provision was enacted by the 128th General Assembly, and is retained.

•Deductions from School District State Aid: Sets the formula amount at \$5,653 for transfer payments for students attending community schools, STEM schools, other districts through open enrollment, and colleges and universities through the Post-Secondary Enrollment Options Program. Deducts from state aid to school districts funds for students who attend nonpublic schools through a scholarship program. Reduces the deduct for students participating in the EdChoice Scholarship from \$5200 to the actual cost of tuition for private schools or \$4,250 for students in grades kindergarten through eight and \$5000 for students in grades nine to twelve. (According to LSC, in current law \$5,200 per scholarship student is deducted from school district state aid no matter the cost of tuition. The excess is used to support the Cleveland Scholarship Program.)

TRANSPORTATION

- Pupil Transportation: Retains the current pupil transportation formula, but suspends it for FY12 and FY13, and combines pupil transportation payments, foundation payment, and lottery profits through the temporary funding formula. Decreases the level of transportation funding by \$24.6 million (5.3 percent) in FY12 to \$438.2 million, and increases it by \$3.9 million (0.9 percent) to \$442.1 million in FY13. A subsidy provided in FY10-11 for certain low-wealth/low rider density districts is eliminated.

JOINT VOCATIONAL SCHOOL DISTRICTS

- Joint Vocational School Districts: Provides flat funding in both FY12 and FY13 at FY11 levels through Foundation Aid GRF-200550.

CAREER TECHNICAL EDUCATION

- Career Technical Education: Increases Career Technical Education Enhancements to \$8.8 million in FY12 and \$8.8 million in FY13, an increase of \$1.0 million (12.8 percent) in FY12 over FY11 levels. This fund is used to fund career-technical units at institutions; initiatives related to career-technical education; earmarks for High Schools That Work; Tech Prep Expansion Grants; Agriculture 5th Quarter Project; and Institution Career-Technical for incarcerated students. Maintains the dollar for dollar required state match for the administrative portion of the federal career technical education grant.

- Tech Prep Consortia Support (200425): Decreases Tech Prep Consortia Support by \$1 million (79 percent) to \$260,542 in FY12 and \$260,542 in FY13. This fund provides support to maintain a Tech Prep system in Ohio that includes 23 consortia, including 23 community and technical colleges and 91 career technical education planning districts).

- Tech Prep Expansion grants: Increases these grants to \$2.8 million in both fiscal years.

SPECIAL EDUCATION

- Special Education Weights: Retains and re-codifies the six categories and weights for determining state aid for students with disabilities included in the Evidence-Based Model and continues (as in the past) to fund the special education weights at 90 percent. For FY12 and FY13, uses the FY09 (Building Blocks) weights, categories, and per pupil amount (\$5732) to compute special education transfer payments to community schools and STEM schools, or to other school districts for excess special education cost or for state payments for catastrophic costs.

- Special Education Enhancements: Appropriates \$135.8 million in FY12 and \$135.8 million in FY13 for Special Education Enhancements, which includes programs such as home instruction; special education for Developmental Disability Boards and institutions; the parent mentoring program; and school psychology interns.

- Special Education Preschool Units: Provides \$84.4 million in FY12 and \$84.4 million in FY13 for special education preschool units. This will support 2,050 units in FY12 and FY13, the same as in FY11. Although actual funding depends on the funded teacher's level of education and experience, funding is about \$43,000 per unit on average. ODE also estimates that an additional 1,600 units are in operation, but not funded by the state. (This line items has been underfunded for several years.)

GIFTED EDUCATION

•Gifted Funding: Funding for gifted education programs, provided by school districts, is included in line item GRF200550 Foundation Aid. Before 2010 funding for gifted education was allocated through line item GRF200521 and was easier to track. Eliminates the Evidence-Based Model formula for gifted education and spending rules for gifted education (ORC Section 3306.09). Retains in law Section 3324 ORC for gifted education, with minor changes. Provides \$8.1 million in each fiscal year for Educational Service Centers to continue to support gifted units.

PROPERTY TAX REIMBURSEMENTS

•Property Tax Allocation (200901) Provides \$1.086 billion in FY12 and \$1.095 billion in FY13 to reimburse school districts and joint vocational school districts for the loss in revenue due to the 10 percent rollback of locally levied property taxes for residential and agricultural real property owners; the 2.5 percent additional rollback for homeowners; and a portion of the rollback for the Homestead Exemption Program for the elderly and disabled.

•Phases-out Property Tax Reimbursements: Accelerates the phase-out of the tangible personal property tax and utility property tax reimbursements. School districts received reimbursements to compensate for the loss of revenue from these taxes when the property tax assessment rates were reduced for public utility property (\$198 million per year) and the tangible personal property tax (TPP) was phased-out between 2006-2011 (FY11 loss to school districts \$1.1 billion.) The TPP reimbursements were to begin their phase-out in 2014. The accelerated phase-out is adjusted based on district reliance on the reimbursements as a percentage of total state and operating revenue. The budget provides \$722 million in FY12 and \$475 million in FY13 for TPP reimbursements. FY11 reimbursements are estimated at \$1.04 billion. It also provides \$34.0 million in FY12 and \$30.0 million in FY13 for public utility tax reimbursements; FY11 reimbursements are estimated to be \$74.3 million.

OTHER PROVISIONS THAT AFFECT K-12 EDUCATION

ACADEMIC CONTENT STANDARDS

Academic Standards (GRF 200427): Decreases by \$0.9 million (16.7 percent) in FY12 to \$4.4 million and by \$0.7 million (15.0 percent) in FY13 to \$3.7 million funding that supports the development and dissemination of the state academic content standards and model curricula. Am. Sub. HB 1 of the 128th General Assembly required the ODE to develop new standards and model curricula. The State Board adopted the Common Core Standards for the subjects English/language arts and mathematics and standards for science and social studies in 2010. The revised model curricula in these four core subjects were adopted by the State Board in March 2011. HB 1 also requires a provision that new standards and model curricula in computer literacy, fine arts, foreign languages, and financial literacy and entrepreneurship be developed, which is unchanged in HB153.

ACCOUNTABILITY -- EXPENDITURE DATA

•Classroom Expenditure and Student Performance Data (Section 3302.20 ORC): Requires the ODE to develop, by January 1, 2012, standards for determining the amount of school district, community school, and STEM school annual operating expenditures for classroom instruction and the amount for non classroom purposes. The State Board is required to adopt these standards by July 1, 2012.

Directs the ODE to use the expenditure standards and existing data to do the following:

- Determine the percentage of each district's, community school's, jt. vocational school districts; or STEM school's total operating budget that is spent on classroom instruction for each fiscal year, beginning in FY08
- Categorize districts and schools by ADM
- Rank districts and schools within each category according to the percentage of expenditures used for classroom instruction
- Report on ODE's web site and on district and school report cards, the percentages and ranking for each district or school, for each category, and for all districts and schools combined
- Denote, within the classroom expenditure rankings, the districts and schools that are among the lowest 20 percent statewide in total operating expenditures per pupil or among the highest 20 percent statewide based on the performance index score.

ACCOUNTABILITY -- LOCAL REPORT CARDS

•Accountability/Report Cards (GRF 200439): Decreases funding for accountability to \$3.7 million in both fiscal years to produce local report cards for 610 school districts and 4,000 public school buildings, including community schools. These report cards present data on school finances and the extent to which schools and school districts have met the state's performance indicators designations of "excellent with distinction," "excellent," "effective," "in need of continuous improvement," "in academic watch," or "in academic emergency." The funding can also be used to train teachers and other educators in the use of value-added data to improve classroom instruction and student achievement.

ACCOUNTABILITY -- PERFORMANCE RATINGS AND CONSEQUENCES

Currently Ohio's accountability system for school districts and schools is based on several components including the performance index score (PIS), which ranges from 0 to 120 and is a composite measure of achievement of all students on all achievement tests in grades 3-8 and on the Ohio Graduation Test in high school. The index for the state as a whole improved from 92.9 in FY06 to 93.3 in FY10.

Another component of the state's accountability system is the value-added measure, which tracks an individual student's test scores from one year to another. Districts are rated on how their students' academic growth, as measured by the achievement tests, compares to the expected growth standard set by the state. Because achievement tests are not taken by students in every subject and at every grade, value added data is available for only grades 4 to 8 in math and English language arts.

In FY10, 202 school districts (33.1 percent) were above, 179 districts (29.4 percent) had met, and 229 districts (37.5 percent) were below the expected growth standard. In FY08, the first year the value-added measure was used, 274 districts (44.9 percent) were above, 142 districts (23.3 percent) had met, and 194 districts (31.8 percent) were below the expected growth standard.

•Performance and Expenditure Report (Section 3302.21 ORC): Requires ODE, annually, to rank order each school district and school, community school, and STEM school according to their performance index score (PIS), student performance growth (as measured by either the value-added progress dimension where available, or an indicator designated by the Superintendent), career-technical performance measures as required under federal law,

current operating expenditures per pupil, and percentage of total current operating expenditures spent for classroom instruction.

Under the proposal, ODE is required to issue an annual report for each school district, community school, and STEM school indicating its ranking on each of those five measures. Since the performance index score applies to all school districts, but some individual schools do not have performance index scores, because the school does not offer any grades for which an achievement assessment is given, such as a K-2 school, the ODE is directed to develop another measure of student academic performance to enable those schools to be included in the school rankings.

- Consequences for low-ranking district-operated schools: Specifies that if a school is ranked in the lowest 5 percent statewide for three consecutive years and is in academic watch or academic emergency, the district board of education must do one of the following:
 - close the school and reassign the students to other buildings
 - contract with a nonprofit, a school district, or for-profit entity with a demonstrated record of effectiveness to operate the school
 - replace the school's principal and teaching staff, exempt the school from board rules regarding curriculum and instruction upon request of the new principal, and provide funding for each student in the school at least equal to the per pupil amount of all district revenues
 - reopen the school as a conversion community school.

ACCOUNTABILITY -- PARENT TRIGGER

- Parent Trigger (Section 3302.042 ORC): Requires the ODE to rank all district-operated schools statewide in order according to their performance index scores. If a school is ranked in the lowest 5 percent for three or more consecutive years, the parents of 50 percent of the school's students may sign a petition requesting one of five restructuring reforms: reopen the failing school as a community school; replace at least 70 percent of the schools personnel who are related to the schools poor academic performance or retain no more than 30 percent of the staff members; contract with another school district or a nonprofit or for-profit entity with a record of effectiveness to operate the school; turn the operation of the school over to the ODE or any other major restructuring that makes fundamental reforms in the schools staffing or governance.

- Conditions that Limit the Parent Trigger: Prohibits the school district from implementing the reform requested by the petitioners if: the board of education determines that the petitioners request is for reasons other than improving student achievement or safety; the Superintendent of Public Instruction determines that the reform would not comply with the ODE's Model of Differentiated Accountability, which establishes sanctions for chronically under performing districts and schools as required by the federal No Child Left Behind Act; the requested reform is to have the ODE take over the schools operation and the ODE has not agreed to do so; or the school board has held a public hearing on the matter and issued a statement explaining why it cannot implement the reform and agreeing to implement another of the reforms described above, and submitted evidence to the state showing how the alternative reform will improve the schools performance, and had the alternative reform approved by the Superintendent of Public Instruction and the State Board of Education.

ALTERNATIVE EDUCATION PROGRAMS

- Alternative Education Programs (GRF 200421): Decreases funding by \$.5 million in FY12 to \$7.4 million and retains funding at \$7.4 million in FY13 to provide grants for 115 alternative education programs in Ohio's 21 urban school districts and approximately 479 rural and suburban districts to implement practices in alternative education for students with behavioral problems including truancy. The program served 8,000 students in FY09. Funds are also used to provide professional development and technical assistance to schools.

ASSESSMENT

- Student Assessment (GRF 200437): Decreases by \$0.7 million (1.3 percent) in FY12 to \$55.9 million and retains the same level of funding in FY13 to support the development, printing, distribution, collection, scoring, and reporting of state assessments. These include current and new assessments at different grade levels for English language arts, mathematics, science, and high school level assessments that include a nationally standardized college readiness assessment and a series of end-of-course exams, and a senior project. Included in this line item are earmarks for the Kindergarten Readiness Assessment, which is used to determine the literacy skills of children entering kindergarten. Approximately 135,000 children in kindergarten are assessed each year.

- Student Assessment (FED 200690): Provides \$11.8 in both fiscal years in federal support for assessments.

CHANGES IN OPERATING STANDARDS

- School District Operating Standards: Makes the State Board's adoption of certain additional operating standards for school districts, required by H.B. 1, permissive, rather than mandatory.

- Authority to Revoke Charters: Eliminates the State Board's authority to revoke the charter of a school district that fails to comply with the standards.

COMMUNITY SCHOOLS

Ohio school choice programs include community schools, the Cleveland Scholarship and Tutoring Program (CSTP), the Educational Choice Scholarship Program, and the Autism Scholarship Program. Spending on these programs has increased from \$19.7 million in FY99 to \$762.6 million in FY10. (Other choice options for parents include home-schools, STEM schools, jt. vocational schools, career-tech programs, open-enrollment where available, and Post Secondary Enrollment Options.)

Since the establishment of community schools in FY99, the amount of state education aid transfers has increased from \$11.0 million to \$680.4 million in FY10. Community school enrollment has increased from 2,245 to more than 99,000 students.

- Funding for Community Schools/STEM Schools: Counts students who enroll in community schools and STEM schools in the ADM of their resident school districts, crediting those districts with state funds for those students. Deducts from the state aid received by school districts an amount per pupil. Sets the per pupil deduct amount at \$5,653 in FY12 and FY13. Deduct payments for students with special needs and students in vocational education programs is set at \$5,732. Continues payments of parity aid and poverty-based assistance at FY09 levels.

- Funding for Community School ODE Support: Increases funding through GRF 200455 by \$1.2 million (120.0 percent) in FY12 and provides flat funding in FY13 to support ODE oversight and evaluation of community schools and choice programs.
- Public Charter Schools (FED 3T40 200613): Provides \$14.291 million in both fiscal years (flat-funded) in federal funds to finance grants that are awarded to community schools to assist them in the planning, development, and initial implementation of their programs. More than 200 community schools in Ohio have received this federal grant funding. Funding under the grants can reach up to \$450,000 per school disbursed in their first three years of operation. These funds also support evaluation of community schools' effects on students, staff, and parents.
- Elimination of Moratorium (Section 3314 ORC): Repeals some sections of law and modifies the qualified moratorium on new start-up (brick and mortar) community schools. Eliminates the requirement that a new start-up brick and mortar community school contract with an operator that manages a high ranking schools.
- E-Schools Moratorium (Section 3314.013(A)(6)): Repeals the moratorium on the establishment of new Internet- or computer-based community schools (e-schools).
- E-Schools Spending Requirements: Eliminates a requirement that e-schools spend at least \$2,931 per pupil on instruction.
- Limitations on New Community Schools
 - Specifies that if a community school is in academic watch or academic emergency on the immediate effective date of the bill, the school's sponsor may not sponsor any additional community schools and the school's operator, if it has one, may not operate any additional community schools.
 - Retains the provision that start-up community schools may open only in challenged school districts, which are: the Big Eight school districts (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown), school districts located in Lucas County, which is the former community school pilot project area, and districts designated as being in academic watch or academic emergency.
 - Retains the limit on the total number of schools that an entity may sponsor. This limit is based on the number of schools sponsored as of May 1, 2005. An entity that sponsored 50 or fewer schools on that date may not sponsor more than 50 schools. Other entities may sponsor up to 75 schools. But a sponsors limit is automatically reduced by one for each community school it sponsors that permanently closes.
- Community School laws repealed: Repeals the following sections of law regarding community schools:
 - 3314.013, Limits on start-up schools
 - 3314.014, Delayed start-up of community school permitted under contract
 - 3314.016, Operators of new start-up schools
 - 3314.017, Additional start-up school in district
 - 3314.085, Spending by computer-based community school reports

- Repeals the requirement that Internet- or computer-based community schools (e-schools) spend a specified minimum amount per pupil on instruction.
- Lease of School District Property: Requires a school district board of education to offer a right of first refusal to community schools located within the district whenever the board decides to lease out real property suitable for classroom use or other educational purposes.
- Joint Educational Programs: Allows a community school to enter into a similar agreement with one or more school districts or other community schools. However, unlike school districts, which currently have that right, community schools are prohibited from charging tuition or fees for students participating in the program.

EARLY CHILDHOOD EDUCATION

- Special Education Preschool Units: Provides \$84.4 million in FY12 and \$84.4 million in FY13 for special education preschool units. This will support 2,050 units in FY12 and FY13, the same as in FY11. Although actual funding depends on the funded teacher's level of education and experience, funding is about \$43,000 per unit on average. ODE also estimates that an additional 1,600 units are in operation, but not funded by the state. (This program has been under-funded for several years.)
- Early Childhood Education: Provides state and federal funds that total \$38.9 million in FY12 and \$38.9 million in FY13 for early childhood education programs.
- Early Childhood Education (GRF 200408) and Child Care Licensing: Provides \$24.145 million in GRF funds in both fiscal years to support early childhood education program in school districts, JVSDs, and ESCs and funds to support child care licensing. This includes funding to support early childhood education programs that provide educational services for approximately 5,700 three and four-year-old children from families with incomes below 200 percent of the federal poverty level at an average cost of \$4,000 per child in FY12 and FY13, which is the same as in FY11. This number of children represents about 5.3 percent of the estimated number of eligible children in the state. A district may self-operate or may contract with a Head Start agency, a chartered nonpublic school, or a licensed child care provider to provide Early Childhood Education services. These programs must align their curricula to the early learning program guidelines developed by ODE, administer diagnostic assessments prescribed by ODE, require all teachers to attend at least 20 hours of professional development every two years, and report child progress in meeting the program guidelines.
- Changes in Program: Modifies the standard schedule for the program from 2.5 hours per day to 12.5 hours per week. This change may give providers more flexibility in their schedules. Providers are permitted to request a waiver if they want to use an alternate schedule.
- Early Childhood Education (200661): Provides \$14.5 million in federal grants in both fiscal years to support special education and related services to children with disabilities between the ages of three and five. Districts are mandated under federal law to provide a free and appropriate public education to these children and are required to develop Individualized Education Plans (IEPs) for them. These federal grant funds are provided as supplemental funding in addition to the preschool special education unit funding provided by state funds. Funds are distributed based on 1997 service levels with adjustments for total population and poverty. Federal funding for this program is expected to remain flat in FY12 and FY13.

- Head Start Collaboration Project (200605): Provides \$225,000 in federal grants in both fiscal years for the coordination of federal, state, and local policies to support a coordinated early childhood education and child care system. Funds are used to support federal Head Start and child care providers in increasing services to families. Activities funded include the dissemination of information, the support of partnerships between Head Start and child care providers, and leadership services.

EDUCATION MANAGEMENT INFORMATION SYSTEM

- Education Management Information System (GRF 200446): Decreases by \$5.1 million (42 percent) in FY12 to \$6.8 million in both fiscal years funding to collect, develop, and support a common core of data on student, staff, course, program, and financial data from Ohio's public schools. The data collected via EMIS are used to determine both state and federal performance accountability designations, to produce the local report cards, to calculate and administer state funding to school districts, to determine federal funding allocations, and to meet federal reporting requirements. A new EMIS-R system is being tested at two ITCs and should be ready for statewide use in October 2011.

EDUCATOR COMPENSATION

- Teacher Compensation: Repeals the minimum salary schedule based on training and years of service that applies to teachers employed by school districts, ESCs, and county developmental disabilities (DD) boards, and instead requires each of these entities to annually adopt a salary schedule that establishes a salary range for each of the four levels of teacher licensure: resident or alternative resident educator licenses and temporary, associate, or provisional licenses; professional educator license; senior professional educator licenses; and lead professional educator licenses.

- Determine Salary Range: Requires that each district, ESC, and county DD board determine each teacher's salary within the appropriate range based on evaluations, and whether or not the teacher is "highly qualified" under federal law, and other relevant factors, such as whether or not the teacher teaches in a hard-to-staff school or subject area, teaches larger-than-average class sizes, or teaches at-risk students. No teacher whose salary is higher than the maximum salary for that teacher's license is permitted to receive an increase in salary.

- Collective Bargaining:

Specifies that the bills provisions regarding teacher salaries prevail over collective bargaining agreements entered into on or after the provisions effective date.

EDUCATOR EVALUATION AND EMPLOYMENT

- Evaluations of Teachers and Principals: Eliminates the requirement for the Educator Standards Board to develop the teacher/principal evaluation system, and directs the Superintendent of Public Instruction to do so.

Instead, requires the Superintendent of Public Instruction by December 31, 2011 to establish a model process to evaluate teachers and principals. School districts and educational service centers (ESCs) are required to adopt the model evaluation policy or one approved by the Superintendent by July 1, 2012. School districts or ESCs rated in the lowest five percent based on their performance index score for three consecutive years are required to adopt the evaluation model. Teachers must be evaluated annually and 50 percent of the evaluation

must be based on measures of student academic growth. The evaluations are to be used to inform decisions about compensation, tenure, non-renewal, termination, reductions in force, and professional development. School districts and ESCs must annually publish aggregate results and ODE must issue an annual report on the results.

- Criteria for Teacher Quality: Requires a teachers quality of performance to be measured by the type of educator license held by the teacher, whether or not the teacher is highly qualified under federal law, evaluations, and other criteria established by the employer, and permits consideration of seniority only after these other factors are considered.

- Re-testing Teachers: Requires ODE to annually rank order all city, exempted village, and local school districts into percentiles according to their performance index score (PIS). Classroom teachers in a core subject in school districts in the lowest 10 percentiles are required to retake any written tests prescribed by the State Board for licensure in the teacher's subject area and grade level. This requirement applies to all teachers of reading and English language arts, math, science, foreign language, government, economics, fine arts, history, or geography. If the teacher fails any test, the teacher may retake the test two more times.

- Results of the Teacher Retest: Permits a board of education to use the results of the required re-testing to develop or revise teachers' professional development plans. When making a decision about continued employment, the results should not be considered as the sole factor, unless the teacher has failed the same exam three consecutive times.

- Teacher and Administrator Termination: Eliminates the option for a teacher, administrator, treasurer, internal auditor, or superintendent employed by a school district or ESC to request that a hearing on the employee's termination be held before a referee, rather than the board of education or ESC governing board. Any employee appealing the board's termination decision may appeal to the common pleas court or invoke the grievance procedure outlined in the employee's collective bargaining agreement, but may not do both.

- Teacher Layoffs: Requires school districts and ESCs to consider quality of performance as the principal factor in determining the order of teacher layoffs. A school district or ESC may consider seniority in determining the order of layoffs only after considering these five criteria.

- Collective Bargaining: Specifies that the provisions regarding teacher layoffs prevail over collective bargaining agreements entered into on or after the provisions effective date.

EDUCATOR INCENTIVE PAYMENT PROGRAM (Section 3301.23 and 3302.24 ORC)

- Teacher Incentive Payment Program: Establishes a new teacher incentive program and the Teacher Incentive Payment Program Fund in the state treasury. The program would pay certain teachers in school districts, community schools, and STEM schools \$50 stipends for every student who achieves more than a standard year of academic growth as measured by the value-added progress dimension in either math or English language arts classes, but not both. The program would apply to teachers who teach in subject areas and grade levels for which data under the value-added progress dimension is available (grades 4 to 8) for which there is a state assessment (math and English language arts). The first stipends will be based on the district and school report cards issued in August, 2012, for the 2011-2012 school year.

EDUCATOR LICENSURE

•**Out-of-State Teachers:** Directs the State Board of Education, through a specific process, by July 1, 2013 to approve a list of states with licensure standards that are inadequate to ensure that certain persons are qualified for a professional educator license in Ohio. Until that list is approved, the State Board is required to issue a one-year provisional educator license to an applicant who has a bachelor's degree, has been licensed and employed as a teacher in another state for the last 5 years, was initially licensed as a teacher in that state in the last 15 years, and has never had a teacher's license suspended or revoked. Once the list is approved, the State Board is to automatically issue a professional educator license to an applicant who meets the four criteria listed above and who was most recently been licensed in a state that is not on the list.

•**Alternative Resident Educator License:** Eliminates the requirement that applicants complete pedagogical training prior to the issuance of a license; prohibits the State Board from requiring applicants to have a college major in the teaching area; and allows license holders to satisfy continuing education requirements through a teacher preparation program that is operated by a nonprofit organization and approved by the Chancellor of the Ohio Board of Regents. The Chancellor is required to approve any program that requires participants to have a bachelor's degree, have a cumulative undergraduate grade point of 2.5 or higher, and complete a summer training institute. The organization Teach for America would qualify under these criteria.

•**Reciprocity:**

Prohibits the State Board or Department of Education from having a reciprocity agreement with a state on the list requiring the issuance of a professional educator license to a teacher based on licensure and teaching experience in that state.

•**Criteria for Educator Licensure:** Requires that applicants for a professional, senior professional or lead professional license or for a principal license demonstrate that the applicant's students have achieved a standardized measure of value-added progress. The measure used is to be determined by the Superintendent in cases for which no value-added measure based on assessments or end-of-course exams currently exists. The proposal also requires that the Ohio Teacher Residency Program, a four year mentoring program established by HB 1 of the 128th General Assembly, use measures of student academic gain to evaluate the effectiveness of the Program's participants.

EDUCATOR PREPARATION

•**Educator Preparation (GRF 200448):** Decreases by \$.5 million in both fiscal years this line item to \$786,737. This funding is primarily used to support the work of the Educator Standards Board to develop statewide standards for Ohio's teachers and principals and a new four-tiered educator licensure system.

GOVERNOR'S SCHOOL RECOGNITION PROGRAM

•**Governor's School Recognition Program (Section 3301.22 ORC):** Creates the Governor's Effective and Efficient Schools Recognition Program to recognize 10 percent of all public schools and chartered nonpublic schools based on standards determined by ODE, including student achievement and fiscal performance measures.

HEALTH CARE PLANS

•Health Care Plans: Requires the Department of Administrative Services (DAS) to design health care plans for employees of public school districts. Once DAS has established the health care plans, all public school districts are required to retire existing health care plans and offer only the DAS plans to employees. Districts that offer an employee health care plan that covers 2,500 or more employees through a consortium with other districts or political subdivisions may request DAS's permission to continue offering the consortium plans after the DAS health care plans are established. The executive budget prohibits any public school district violating these provisions from receiving state aid.

INNOVATION SCHOOL ZONES

•Innovation School Zones: Allows school districts to designate a single school as an innovation school, or a group of schools as an innovation zone, for the purpose of implementing an innovation plan designed to improve student academic performance. Under the proposal, a majority of the teachers and a majority of the administrators in a participating school must consent to applying for the designation.

-Requires districts to give preference to applications that propose innovations in specified areas.

-Requires the State Board of Education to waive any law or administrative rule that prevents implementation of the plan except for certain laws and rules specified by the proposal. All innovation schools and innovation zones must have a performance review every three years.

-Allows any provisions of a collective bargaining agreement to be waived to implement an innovation plan, if at least 60 percent of the members of the bargaining unit working in each participating school approve the waiver.

-Allows the district to revoke the designation if the participating schools are not making satisfactory improvements in student achievement.

-Directs the ODE to issue an annual report on school districts of innovation

PUBLIC FUNDING FOR NONPUBLIC SCHOOLS

•Auxiliary Services (GRF 200511): Increases by \$1.6 million (1.4 percent) in FY12 to \$113.5 million and \$1.7 million (1.5 percent) in FY13 to \$115.2 million funding for nonpublic schools to provide secular services to students. In FY11, the average per pupil amount of these auxiliary funds was about \$660. Also provides \$1.7 million in each fiscal year to support the Post Secondary Enrollment Options Programs for students attending nonpublic schools. In FY10 1,260 nonpublic students participated.

•Nonpublic Administrative Reimbursement (GRF 200532): Provides \$51.5 million in FY12 and \$52.3 million in FY13 to reimburse nonpublic schools for clerical and administrative work mandated by the state. In FY11, the average per pupil amount of these reimbursements was about \$295.

•The Cleveland Scholarship and Tutoring Program (CSTP): Provides scholarships for students in the Cleveland Municipal School District to attend public schools outside Cleveland and private schools, giving priority to students from low-income families, at the same level as FY11 through a deduction from foundation funding calculated for the Cleveland Municipal School District (CMSD). The deduct is \$11.9 million in FY12 and \$11.9 million in FY13. An additional \$7.522 million in FY12 and \$7.522 million in FY13 is also provided to support CSTP, but this amount is reduced by \$1.2 million from FY11 levels.

The scholarships are based on a school's tuition. The state contributes 90 to 75 percent of the tuition based on the recipient's income. The maximum award is \$3,450. Students are not counted in Cleveland's ADM like other scholarship programs. After its establishment in FY97, the number of CSTP scholarship students grew from 1,994 to a peak of 6,272 in FY08 and declined slightly to 5,418 in FY10. The average scholarship award is \$2,900. State expenditures for CSTP have increased from \$5.0 million in FY97 to \$16.0 million in FY10. 36 nonpublic schools participate in the program. In addition to scholarships, the program funds tutoring services for students who remain in CMSD.

- Educational Choice Scholarship Program: Provides scholarships for students, entitled to attend a school that has been in academic emergency or academic watch for two of the three most recent years, to attend an eligible nonpublic school. Scholarships are financed by deductions from state aid to scholarship recipients' districts of residence. The students are counted in the resident district's ADM for the purpose of calculating the funding. The program started in 2007. From FY07 to FY10, the number of students receiving scholarships increased from 3,169 to 11,784; funding for the program increased from \$10.4 million to \$46.1 million.

- Increases the number of scholarships available under the program from 14,000 to 30,000 for the 2011-2012 school year and to 60,000 beginning in the 2012-2013 school year, but reduces the amount deducted from a school district's state aid for each scholarship from \$5,200 to the actual amount of the scholarship or \$5,000 for grades 9-12 and \$4,250 for grades K-8.

- Extends eligibility to students who are enrolled in or would otherwise be entitled to attend, a school building that, in at least two of the three most recent report card ratings, was in the lowest ten percent of school buildings according to the performance index score and was not rated excellent or effective in the most recent rating. Currently, eligibility is restricted to students who are enrolled in or would otherwise be assigned to a school building that was declared, in at least two of the three most recent report card ratings, to be in a state of academic emergency or academic watch and that was not rated excellent or effective in the most recent rating. However, the students who are eligible under this condition have a lower priority to receive the scholarship.

- The Autism Scholarship Program: Provides scholarships to qualified autistic children. Since its inception in FY04 funding for the program has increased from \$3.3 million to \$20.1 million in FY10. Scholarships are financed by state aid deductions from scholarship recipients' districts of residence. Students are counted in their district's ADM for purposes of calculating the scholarship. The amount of the scholarship, the lesser of the total fees charged by the alternative provider or \$20,000, is then deducted from the resident district's state aid and paid to the alternative provider. In FY10, 205 providers were registered to participate in the program. ODE projects approximately 2,200 student participants in FY12 and 2,500 in FY13.

- Specifies that the services provided under the scholarship program must include an educational component.

SCHOOL DISTRICT SOLVENCY ASSISTANCE

The program first appropriated \$30.0 million in FY98 by Am. Sub. HB650 of the 122nd General Assembly. It is now funded through repayments of advances from the shared resource account.

•School District Solvency Assistance (200687): Increases this account by \$7.0 million to \$25.0 million in each fiscal year and specifies that \$20.0 million is for the shared resources account and \$5.0 million for the catastrophic expenditures account.

RETAINED AND REPEALED SECTIONS OF THE OHIO REVISED CODE REGARDING EDUCATION

Retains the following sections of Ohio Revised Code Section 3306 (Provisions of the Evidence-Based Model)

3306.12 Calculation of Transportation Cost
3306.50 Harmon Commission
3306.51 Designation of classrooms as creative learning environments
3306.52 Adoption of guidelines; staff assistance
3306.53 Number of applications
3306.54 Meetings, deadline for approval
3306.55 Validity of designations
3306.56 Progress reports
3306.57 Gifts, devises, and bequests
3306.58 Award of grants and stipends

Repeals the following sections of the Ohio Revised Code

School Funding Evidence-Based Model

3306.01, General Provisions Funding for Primary and Secondary Education
3306.011, Payments under prior provisions
3306.012, PASS form
3306.02, Definitions
3306.03, Calculation of the Adequacy Amount
3306.04, Organizational Units
3306.05, Instructional services component
3306.051, Educational challenge factor
3306.052, funding for career technical education teachers and program operations
3306.06, Additional services support component
3306.07, Administrative services support component
3306.08, Operations and maintenance support component
3306.09 Gifted education support component
3306.091, Enrichment support component
3306.10, Technology resources support component
3306.11, Special education teachers and aides
3306.13, Computations and distribution of the state share of the adequacy amount
3306.18, Certification of amounts
3306.19, Calculation and payment of transitional aid
3306.191, Calculation and payment of additional transitional aid
3306.192, Payment of additional funds
3306.21, Contracts for Services
3306.22, Joint cooperative programs
3306.25, Adoption of rules

3306.29, Ohio School Funding Advisory Council
3306.291, Subcommittee to foster collaboration between school districts and community schools
3306.292, Establishment of other subcommittees
3306.30, Submission of annual deployment plan
3306.31, Implementation of actions prescribed by the governor's closing the achievement gap initiative in certain districts
3306.33, Actions for failure to comply
3306.34, Accountability compliance commissions
3306.35, FACT form
3306.40, Application for waiver
3311.059, Implementation of dependent on funding

Community Schools

3314.013, Limits on start-up schools
3314.014, Delayed start-up of community school permitted under contract
3314.016, Operators of new start-up schools
3314.017, Additional start-up school in district
3314.085, Spending by computer-based community school reports

School Funding

3317.011, Apportionment of State Aid
3317.016, Web publication of district building block fund components
3317.017, Academic watch districts for spending funds
3317.0216, Paying difference between charge-off amount and district's total taxes charged and payable for current expenses
3317.04, Minimum payment amounts to school districts
3317.13, Minimum salary schedule for teachers
3317.14, Boards to annually adopt teachers' salary schedule
3317.17, Payment to certain districts saving state money by changing manner of providing vocational education

School Facilities

3318.312, Demand and issues related to new operating requirements

School Employees

3319.161, Appointing referees for contract termination cases

Textbooks

3329.16, Electronic textbooks -- funds expended for other purposes

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