

2006 S.B. 30 Report

A Report of the Legislative Service Commission

October 27, 2006



Ohio Legislative Service Commission

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INTRODUCTION

Section 103.141 of the Ohio Revised Code (first enacted by Am. S.B. 30 of the 119th General Assembly) requires the Ohio Legislative Service Commission to produce a report in every even-numbered year estimating the cost to school districts of new school laws and administrative rules that became effective during the preceding two calendar years.

This S.B. 30 report generally discusses the impact of legislation enacted and administrative rules adopted in calendar years 2004 and 2005. Some of the laws enacted in 2004 and 2005 were amended in 2006, mainly by Am. Sub. H.B. 530 of the 126th General Assembly. The effect of these amendments is included in the discussion of the amended provisions in this report. Six packages of rules (3301-11, 3301-12, 3301-44, 3301-85-01, 3301-102, and 3301-104) that were adopted in 2006 are also discussed since they respond to provisions of Am. Sub. H.B. 66, the main appropriations act of the 126th General Assembly, which is covered in this report.

The two major pieces of legislation affecting school districts that were enacted in 2004 and 2005 are Am. Sub. H.B. 66 of the 126th General Assembly and Am. Sub. S.B. 2 of the 125th General Assembly. H.B. 66 made many changes that affect school districts. Among those changes, the phase-out of the business tangible personal property tax has the most significant, long-term impact on school district finances. S.B. 2 primarily addressed the federal "highly qualified teacher" requirements and other issues related to the teaching profession. The federal No Child Left Behind act (NCLB) requires that all core academic subjects be taught by "highly qualified teachers," a term that is defined by each state.

The cost estimates for this S.B. 30 report use data collected by the Ohio Department of Education, the Ohio Department of Taxation, the Ohio Legislative Service Commission, and other organizations. This report includes three sections. The first section covers statutory provisions with costs or potential costs to school districts. The second section briefly discusses statutory provisions with minimal or no mandated costs to school districts. Finally, the third section covers administrative rules adopted by the State Board of Education, some of which have potential costs, but most of which do not.

**SECTION I: STATUTORY PROVISIONS WITH
COSTS OR POTENTIAL COSTS TO SCHOOL DISTRICTS**

Am. Sub. S.B. 2 of the 125th General Assembly
Effective June 9, 2004

Disadvantaged pupil impact aid

Am. Sub. H.B. 95 of the 125th General Assembly stipulated that districts and community schools not receiving disadvantaged pupil impact aid (DPIA) in FY 2003 are not eligible for DPIA funding in FY 2004 and FY 2005. S.B. 2 modified this provision so that community schools with students residing in districts eligible for DPIA funding receive, for each of the three DPIA programs, on a per pupil basis, an amount equal to the result of dividing the district's DPIA allotment for that program by the total number of students in the district eligible for that program. Under the bill, as long as they have students residing in districts eligible for DPIA funding, community schools receive this payment even if they did not receive DPIA in FY 2003.

The cost. As a result of changes made in S.B. 2, some districts had a greater portion of their DPIA allotments deducted and sent to community schools. In FY 2004 this provision increased the transfer of aid to community schools by about \$6.0 million statewide.

Am. Sub. S.B. 234 of the 125th General Assembly
Effective April 11, 2005

Property tax abatement

S.B. 234 permitted the abatement of unpaid property taxes, penalties, and interest owed on property owned by the state or a board of education that would have been tax exempt if the owner had complied with certain procedures. Application for this abatement had to be made before April 11, 2006.

The cost. This provision corrected an oversight pertaining to a piece of land in the Western Local School District that was technically owned by the state, although the title to the land should have been held by the school district. Due to the confusion over the ownership of the land, neither the state nor the school district filed for the tax exemption for this property. Since the state held the title it had the responsibility of paying \$759,000 in unpaid taxes, penalties, and interest that were assessed by the Pike County Auditor in 2004. As a result of the abatement permitted in S.B. 234, however, the state did not pay the taxes, and, accordingly, local governments (including the Western Local School District) forwent a combined \$759,000 in tax revenue on the property.

Am. Sub. H.B. 66 of the 126th General Assembly
Effective June 30, 2005

Phase-out of the tangible personal property tax

H.B. 66 phased out the general business tangible personal property (TPP) tax and the telephone and telecommunications TPP tax evenly over four years and five years, respectively. This phase-out started in TY 2006. New machinery, equipment, furniture, and fixtures, however, were exempted from taxation beginning in TY 2004. The tax on inventories was already in the process of being phased out, but H.B. 66 accelerated this phase-out to coincide with the phase-out schedule of the other general business TPP taxes. H.B. 66 also established a new "commercial activity tax" (CAT) and deposited part of the revenue generated through this new tax in the School District Property Tax Replacement Fund (Fund 047) to reimburse school districts (including joint vocational school districts) for their revenue losses due to the acceleration of the inventory tax phase-out and the elimination of the rest of the TPP tax.

School levies are grouped into two categories for purposes of calculating their tax revenue losses: fixed-rate (inside mills and current expense) levies and fixed-sum (emergency and bond) levies. Fixed-rate levies are based on a millage rate, so that the amount of revenue raised can vary with the taxable property value of the district. Therefore, if a district's taxable property value decreases because of the phase-out of the TPP tax, the amount of revenue the district receives from existing fixed-rate levies also decreases. The reimbursement base for fixed-rate levies is the amount of this revenue loss. Fixed-sum levies are designed to raise a fixed amount of revenue each year. School districts do not lose tax revenue from existing fixed-sum levies when taxable property value decreases; even if there were no reimbursement mechanism, the rate on the remaining taxable property would be adjusted upward to raise the same amount of revenue. In order for a school district to be eligible for fixed-sum levy loss reimbursement, the rate increase on the remaining property of the district has to be greater than 0.5 mills. The reimbursement base for fixed-sum levies is the amount above the 0.5 mill threshold.

Through TY 2010, school districts are held "harmless" for the reimbursement base revenue loss amounts determined by the Department of Taxation for fixed-rate and fixed-sum levies through a combination of the state education aid offset and direct reimbursement. The state education aid offset is the amount of additional state aid a school district receives due to its decreasing taxable property values.¹ So the combination of the state education aid offset and direct reimbursement payments will be

¹ In a given fiscal year, the state education funding formula guarantees a uniform, minimum per pupil funding amount through a combination of state aid and local contribution. A district's state education aid payment has an inverse relationship with its property wealth—when a district's property wealth decreases, its state aid generally will increase.

equal to each district's fixed-rate levy loss plus its fixed-sum levy revenue above the 0.5 mill threshold. Beginning in TY 2011, direct reimbursement payments will be phased out at a rate of 3/17 in the first two years and then at a rate of 2/17 per year until completely eliminated after TY 2018. Emergency levies are fully reimbursed from TY 2006 to TY 2010 and will be reimbursed after TY 2010 only when the levy is renewed. Bond levies are reimbursed for the duration of their lives. State education aid increases as a result of the TPP tax changes will continue indefinitely.

The cost. The Department of Taxation has determined that school districts (including joint vocational school districts) will have a total reimbursable tax revenue loss of \$381.1 million in TY 2006 that will grow to an annual amount of \$1,166.6 million by TY 2010. Through TY 2010, however, these revenue losses will be completely reimbursed. After that, approximately 50% of the losses (the first 23 mills of revenue on the property) will continue to be recovered through the school funding formula, while direct reimbursement payments will be phased out over an eight-year period. H.B. 66, as amended by Am. Sub. H.B. 530, appropriated \$67.4 million in FY 2006 and \$420.0 million in FY 2007 to make direct reimbursement payments. TY 2006 taxable property value data that reflect H.B. 66 changes will be used in calculating state education aid for FY 2008. Therefore, FY 2008 will be the first year in which the state education aid offset will be calculated.

Tangible tax exemption reimbursement

The state exempts the first \$10,000 of tangible personal property (TPP) from taxation. Under prior law, the state reimbursed school districts and other local governments for this exemption. In FY 2004, the reimbursement (but not the exemption) started to be phased out and was to be eliminated by FY 2013. H.B. 66 accelerated the phase-out so that the reimbursement will be completely phased out after FY 2009, to coincide with the phase-out of the TPP tax.

The cost. The difference in the reimbursement for school districts between the two phase-out schedules is approximately \$4.1 million in FY 2006 and \$13.5 million in FY 2007.

Elimination of the community alternative funding system

The community alternative funding system (CAFS) was a program through which many Ohio school districts were able to receive Medicaid reimbursements for some federally mandated services provided to Medicaid-eligible students with mental retardation or developmental disabilities. The federal government had found Ohio's CAFS to be out of compliance with federal Medicaid regulations. In response to this finding, H.B. 66 eliminated CAFS effective FY 2006.

The cost. In FY 2005, school districts received approximately \$67 million in Medicaid reimbursement through CAFS. Several school districts sued the state over the elimination of the program and reached a settlement that would have provided the districts with Medicaid reimbursement for some services, but at lower reimbursement rates. According to the Ohio Coalition for the Education of Children with Disabilities, under the settlement school districts would have received approximately 30% of what they received under CAFS. The settlement, however, was not approved by the federal government. Since then the state of Ohio has developed and submitted a proposal to the federal government to allow schools under certain procedures and guidelines to claim Medicaid reimbursement for targeted case management services provided to Medicaid-eligible students. The federal government has not yet approved the proposal, and work continues on finding a more comprehensive replacement for CAFS. Therefore, at this point, it is not clear what portion, if any, of the former CAFS revenue school districts eventually still will be able to receive.

Half-mill maintenance equalization

School districts participating in the Ohio School Facilities Commission's school building assistance program are required to levy a one-half mill tax to help pay for the maintenance costs of their new or renovated buildings. H.B. 66 provided payments, beginning in FY 2007, to participating districts whose per pupil valuations are less than the state average. These funds pay the difference between what a district could raise with 0.5 mills and what the district with the state average valuation could raise with 0.5 mills, on a per pupil basis, at the time the district enters into the project agreement with the state. Districts already having project agreements prior to H.B. 66 will also receive the payments as long as their per pupil valuations are lower than the state average. H.B. 66 also required the transfer of excess funds from the School District Property Tax Replacement Fund (Fund 053) into the Half-Mill Equalization Fund (Fund 5BJ) to support this equalization program. If the funds are not needed for the half-mill equalization they are to be used for the school building assistance program. Fund 053 was created to reimburse school districts for their local tax revenue losses due to decreases in assessment rates for electric and natural gas utilities' tangible personal property taxes. The fund receives a portion of the revenue from state taxes on these utilities. Since part of these reimbursements began to be phased out in FY 2007, there will be excess funds available. Prior law would have distributed these excess funds to all school districts on a per pupil basis.

The cost. Starting in FY 2007, this provision shifts state funds from all school districts to districts with below average valuations per pupil that participate in the state's building assistance program. H.B. 66 appropriated \$10.7 million in FY 2007 for the half-mill equalization program.

Educational Choice Scholarship Pilot Program

H.B. 66 established the new Educational Choice Scholarship Pilot Program and authorized the award of up to 14,000 scholarships in FY 2007, which can be used to attend participating nonpublic schools. These scholarships are generally available to students who attend or who would otherwise be entitled to attend a school that has been in academic emergency or academic watch for three or more consecutive years (academic watch buildings were added by Am. Sub. H.B. 530 of the 126th General Assembly). The amount awarded under the program is the lesser of the actual tuition charges of the school or the maximum scholarship award. H.B. 66 set the maximum scholarship award at \$4,250 for grades K-8 and at \$5,000 for grades 9-12 in FY 2007. In subsequent years, these amounts are to increase by the same percentage as the increase in the base cost formula amount for school districts. Scholarship students are counted in the resident district's average daily membership (ADM) in order to calculate base cost funding, so that the districts generally will be credited with \$5,403 per student in FY 2007. An amount equal to \$5,200 will be deducted from the resident district's state aid for each scholarship student. Kindergarten students are counted in ADM as one-half student, reflecting the traditional half-day kindergarten program. As a result, a kindergarten student generates about \$2,702 in state base cost funding in FY 2007. Sub. H.B. 115 of the 126th General Assembly reduced the deduction for kindergarten voucher students from \$5,200 to \$2,700 per student. Therefore, a district generally will be credited more state aid than is deducted for each scholarship student. According to the Ohio Department of Education (ODE), approximately 3,100 students were awarded vouchers for FY 2007.

The cost. Although school districts with voucher students will have fewer students to educate, they may not be able to decrease their expenditures to match their state aid loss (\$5,200 for students in grades 1-12 and \$2,700 for students in kindergarten), especially in the short run.

Pilot Project Special Education Scholarship Program

Beginning in FY 2006, H.B. 66 increased the maximum scholarship amount for the Pilot Project Special Education Scholarship Program from \$15,000 to \$20,000 per year. This program provides scholarships to autistic students whose parent chooses to enroll the student in an approved special education program other than the one offered by the student's school district. The scholarships are the lesser of the total fees charged by the alternative provider or the maximum amount set in statute. Am. Sub. H.B. 530 of the 126th General Assembly also specified that a child who has been identified as having a "pervasive developmental disorder – not otherwise specified" is to be considered as an autistic child for the purposes of this pilot program.

The cost. In FY 2006, about 458 full-time equivalent (FTE) scholarships were awarded under this program to students from 168 different districts. Statewide

\$5.5 million was transferred for the scholarships for an average scholarship amount of about \$15,260. In FY 2005, when the maximum scholarship was \$15,000, 267 scholarships were awarded. The statewide transfer in FY 2005 was \$3.3 million for an average scholarship amount of about \$12,600.

Scholarship students are counted in their resident district's ADMs for purposes of the state funding formula. The amount of the scholarship is then deducted from the resident district's state aid determined by the formula. In FY 2006, the base cost per pupil, including base funding supplements and the cost-of-doing-business factor adjustment, ranged from \$5,323 to \$5,455. An autistic student also generates additional special education weighted funding. The additional weight is 4.7342, which was phased in at 90% in FY 2006. Therefore, in FY 2006, an autistic student generated in the funding formula \$5,389 on average in base cost funding and an additional \$22,510 in special education weighted funding.

The state funds a portion of special education weighted costs based on each district's state share percentage of base cost funding. For some districts with relatively high wealth, the state aid generated by the student will be less than the scholarship amount and the district will need to reallocate local revenues to cover the difference between the scholarship and the amount of state aid generated by the student. For other districts with relatively low wealth, the amount of state aid (including both base cost and weighted funding) generated by the student will be equal to or greater than the amount of the scholarship. In FY 2006, the average scholarship amount of \$15,260 required the reallocation of local funds for districts with state share percentages of approximately 44% or lower. Districts with state share percentages higher than 44% were able to cover the cost of the average scholarship with state aid. Of course, in either case the district does not incur the cost of serving the scholarship student.

School bus purchase allocations

The state provides funds to assist school districts and county MR/DD boards to purchase buses to transport students who live more than one mile from school. Prior to H.B. 66, state funds that were set aside for the purchase of buses for students with disabilities and nonpublic students were allocated to school districts and MR/DD boards based on their need for such buses. These funds provided 100% of the cost of acquiring these buses. H.B. 66, however, changed this allocation to be on a per pupil basis.

The cost. Under the previous allocation method, districts received the full cost of the buses, but only those districts with the highest need received funds in any given year. Under the per pupil allocation method established by H.B. 66, districts will not receive the full cost of the bus, but all districts that transport students with disabilities or nonpublic students will receive some funds. H.B. 66 earmarked \$2.4 million in FY 2006 and \$4.0 million in FY 2007 for the purchase of these buses.

**SECTION II: STATUTORY PROVISIONS WITH
MINIMAL OR NO MANDATED COSTS TO SCHOOL DISTRICTS**

Am. Sub. S.B. 189 of the 125th General Assembly
Effective March 30, 2004 and June 29, 2004

Pilot Project Special Education Scholarship Program

S.B. 189 clarified that the Pilot Project Special Education Scholarship Program is not to be used for a child to attend either a community school or a public special education program that operates under a contract, compact, or other bilateral agreement with the child's resident school district.

Thirty-minute travel time for busing

Generally, school districts are required to provide transportation to and from school for all pupils in grades kindergarten through eight who reside in their district and live more than two miles from their school. This requirement includes pupils who attend community and nonpublic schools, except where this transportation requires more than 30 minutes of travel time by school bus from a certain point defined in statute. S.B. 189 changed this point from "the collection point designated by the district of residence" to "the public school building to which the pupils would be assigned if attending the public school designated by the district of residence." To the extent this change increases the amount of transportation districts may be required to offer to nonpublic and community school students, it may result in higher costs for districts and the state, but the additional costs to school districts are likely to be minimal.

School district performance ratings for the 2003-2004 school year

S.B. 189 prohibited ODE from assigning a school district a lower report card rating for the 2003-2004 school year than it received the previous year if: (a) the district's performance index score for the 2003-2004 school year was higher than its score for the previous year and (b) the district achieved at least the same number of performance indicators for the 2003-2004 school year as it did the preceding year from among those indicators based on student performance on the fourth and sixth grade proficiency tests and on the cumulative results through the tenth grade of student performance on the ninth grade proficiency tests.

School district selection of an educational service center

Under prior law, if a school district wished to select a different educational service center (ESC) from which to receive services, the district board of education needed to adopt a resolution. The resolution was only effective if approved by the State Board of Education and the governing board of the ESC to which the district would be annexed.

S.B. 189 eliminated the requirement that the resolution be approved by the ESC governing board, thus limiting approval to the State Board.

Sub. H.B. 434 of the 125th General Assembly
Effective May 28, 2004

Automated external defibrillators

H.B. 434 authorized school district boards of education, governing authorities of community schools, and administrative authorities of chartered nonpublic schools to require the placement of an automated external defibrillator (AED) in each of the schools under their control. If a board or authority requires the placement of an AED, the board or authority must require a sufficient number of staff persons to complete an appropriate training course in the use of AEDs. AEDs are electronic devices used to help restore normal contraction rhythms in a heart that is not functioning properly. Since this provision was permissive, it does not have a mandated fiscal impact on school districts. In addition, H.B. 434 appropriated \$2.5 million in tobacco settlement money to issue a grant to a nonprofit organization for placement of AEDs in schools and prohibited the selected nonprofit organization from charging any school for the equipment costs associated with the initial placement of an AED. The Ohio School AED Program, which was administered by the Akron General Medical Center, has placed AEDs, free of charge, in 2,262 schools across the state. The program also has provided funding for the required training course when a school could not obtain this service free of charge. Sub. S.B. 321 of the 126th General Assembly appropriated an additional \$2.5 million in tobacco settlement money for placement of AEDs in schools. Presumably, about the same number of schools could receive AEDs from this new grant as from the first one.

Am. Sub. S. B. 2 of the 125th General Assembly
Effective June 9, 2004

Disadvantaged pupil impact aid

Notwithstanding the formulas used to determine the amount of disadvantaged pupil impact aid (DPIA) received by districts, Am. Sub. H.B. 95 of the 125th General Assembly required that districts receiving DPIA in FY 2003 receive annual increases of 2% in FY 2004 and FY 2005, unless the districts are on the DPIA guarantee in which case they do not receive an increase but continue to receive the same amount they received in FY 2003. H.B. 95 stipulated that districts not receiving DPIA in FY 2003 would not be eligible for DPIA funding in FY 2004 and FY 2005. S.B. 2 modified this provision by allowing districts with DPIA indices above 0.35 in FY 2004 and FY 2005, according to the DPIA index based only on participation in Ohio Works First (OWF), to be eligible for DPIA funding even if they did not receive it in FY 2003. This provision increased DPIA funding to a few districts by approximately \$10,000 in FY 2004 and \$113,000 in FY 2005.

Professional development standards

S.B. 2 required the State Board of Education to appoint an Educator Standards Board. One of the responsibilities of the Educator Standards Board is to develop professional development standards. S.B. 2 required school districts to use these standards for a variety of purposes. If a district is rated in continuous improvement, academic watch, or academic emergency, its three-year continuous improvement plan must include an analysis of how the district is using the professional development standards and what the district is doing to improve the cultural competency of its educators. Districts will likely need to spend time and effort in learning the new standards and adapting their own professional development programs to meet the standards. These activities may replace other activities the district would otherwise have chosen, but will not likely cause any direct costs.

Revisions to teacher and administrator licensing

S.B. 2 made several changes to teacher and administrator licensing. For example, it prohibited the awarding of a temporary license for a superintendent or other administrator, it created an alternative principal and an alternative administrator license, and it removed the requirement that applicants for licensing as an intervention specialist pass the assessment of professional knowledge required for a provisional educator license before obtaining an alternative educator license. These changes do not create any direct costs for school districts.

Highly qualified teachers

The federal No Child Left Behind Act (NCLB) required that teachers of core academic subjects be "highly qualified" by the 2005-2006 school year and that "Title I teachers" be highly qualified by the 2004-2005 school year. S.B. 2 defined the term "highly qualified" as it applies to teachers in Ohio. A "highly qualified" teacher in Ohio must hold a baccalaureate degree, be fully licensed or be participating in an alternative licensure route, and meet one other requirement such as passing a subject matter test or receiving a graduate degree. Although this provision does not have a direct cost for school districts, it may make it more difficult for districts to find teachers who are qualified to teach the district's core courses. Prior Ohio law permitted licensed teachers to teach outside of the scope of their licenses for up to two years. This is no longer permitted for teachers required to be highly qualified. Districts may incur costs if they provide professional development or other assistance to teachers to help them become highly qualified. Schools receiving Title I funds may lose these funds if they do not comply with the NCLB requirements. According to ODE, approximately 94.4% of the courses taught in the state in the 2005-2006 school year were taught by teachers who met the highly qualified designation for that course.

Ninth-grade assessments and intervention services

Am. Sub. H.B. 95 of the 125th General Assembly appropriated funds in FY 2004 and FY 2005 for districts in academic emergency to provide intervention services to students and professional development to teachers to assist the students enrolled in these districts in passing the Ohio graduation tests (OGT) in tenth grade. H.B. 95 also required these districts and districts in academic watch to assess students' readiness for the OGT by administering and scoring a practice OGT to ninth grade students. S.B. 2 modified these provisions by clarifying that districts that are in academic emergency any time in 2003 are eligible for the funding in FY 2004 and districts with a graduation rate of not more than 75% also must administer the practice tests and are eligible for the funding in FY 2005.

Am. Sub. H.B. 106 of the 125th General Assembly
Effective September 16, 2004

Students released from the custody of the Department of Youth Services

When a youth is released from the custody of the Department of Youth Services (DYS), H.B. 106 required DHS to provide certain student records to the school district the released youth is entitled to attend. H.B. 106 also prohibited school districts from admitting the student until the records are received. In addition, H.B. 106 permitted districts to include having been in the custody of DHS as a reason to assign a student to an alternative school.

Allegations of child abuse or neglect involving a school

H.B. 106 required that public children services agencies notify public schools of allegations of child abuse or neglect occurring in or involving the school, including the name of the alleged perpetrator.

One-year conditional teaching permit

Prior to H.B. 106, one-year conditional teaching permits in the area of intervention specialist (special education teacher) could only be issued prior to November 20, 2004. H.B. 106 eliminated this deadline, so that the permits can be issued indefinitely. These permits provide an alternative way into the teaching profession, and may increase the supply of qualified intervention specialists in Ohio.

FY 2005 transitional aid payment to school districts

Am. Sub. H.B. 95 of the 125th General Assembly established transitional aid for fiscal years 2004 and 2005. This aid prevents a district's state aid from declining by more than 5% in either year. H.B. 106 clarified that for the FY 2005 transitional aid calculation, FY 2004 state aid includes FY 2004 transitional aid. If prior law had been

interpreted to not include FY 2004 transitional aid in the calculation, fewer districts would have received transitional aid in FY 2005, and some of those who received it would have received less.

Sub. S.B. 79 of the 125th General Assembly
Effective September 16, 2004

School board nonpartisan primary elections

Under prior law, all candidates for open positions on school district boards of education were presented together on the ballot in the general election. S.B. 79 allowed boards of education and governing boards of educational service centers to adopt procedures for a nonpartisan primary election. In general, political subdivisions that conduct a primary or general election in an odd-numbered year must share the costs of the election. School board elections must be held in odd-numbered years. Therefore, school district boards of education and governing boards of educational service centers that adopt procedures for a nonpartisan primary election could incur costs. For example, in 2005 Columbus Public Schools conducted a nonpartisan primary election that resulted in costs of approximately \$130,000 for the district.

Sub. H.B. 463 of the 125th General Assembly
Effective May 6, 2005

Chicken pox immunizations

H.B. 463 added chicken pox to the list of diseases against which Ohio students must be immunized. Generally students must provide written verification of having received the required immunizations within 14 days of the beginning of the school year in order to be eligible to attend school. However, students may be exempted from the immunization requirements for certain reasons, in which case schools are required to admit them. H.B. 463 permitted a school district to deny admission to a pupil who is exempted from the chicken pox immunization requirement if the district is notified of a chicken pox epidemic by the Director of the Ohio Department of Health. However, if a school denies admission to a student for this reason, it must adopt a policy to ensure the academic status of the student is preserved. This policy could include measures such as providing educational services to students outside of the regular school building or school day. Such measures could result in increased costs to school districts.

Am. Sub. H.B. 16 of the 126th General Assembly
Effective May 6, 2005

Calculation of school district's net bonded indebtedness

The local share of a district's project cost in the School Facilities Commission's (SFC) Classroom Facilities Assistance Program (CFAP) is the greater of the following two calculations:

- (a) The district's required percentage of the basic project cost based on its percentile ranking on its three-year average adjusted valuation per pupil. For example, the local share for a district with a 60th percentile ranking will be 60% (0.01 x the district's percentile ranking).
- (b) The amount necessary to increase the net bonded indebtedness of the district to within \$5,000 of its required level of indebtedness, ranging from 5.0% to 6.98% of the district's total assessed value based on each district's wealth.

Most school districts' local shares are determined based on the percentile ranking method. The alternative net bonded indebtedness method is more likely to be applied to a district that has a relatively small project size or a high tax capacity. H.B. 16 specified that bonds approved by voters for local shares of CFAP classroom facilities projects do not count towards a district's net bonded indebtedness for the purpose of calculating the district's local share. School districts generally do not seek voter approval of local shares until state and local shares have been decided. But prior law provided an incentive for school districts where local shares would otherwise be based on the alternative net bonded indebtedness method to seek voter approval of bonds prior to the determinations of their local shares, in order to decrease the amount of additional debt needed to reach their required levels of net bonded indebtedness and force their local shares to be based on the percentile ranking method, which would in turn decrease their local shares. H.B. 16 eliminated this incentive by forcing these districts' local shares to be based on the alternative net bonded indebtedness method.

Encumbrance of the state share

H.B. 16 required SFC to encumber state funds for classroom facilities projects by fiscal year. Previously, SFC determined the amount of state funds to be encumbered based on a project's estimated construction schedule on a biennial basis. While the provision does not increase or reduce the state share of school district projects, it enables SFC to free up some state funds and allows the possibility of serving a few more districts in a given fiscal year.

Exceptional Needs Program

Generally, districts likely to be eligible for CFAP assistance within three years cannot be served by the Exceptional Needs Program (ENP). H.B. 16 created an exception to this restriction for a district whose entire CFAP project consists of a single building to house students in grades K through 12 and that entered into an agreement with SFC under the Expedited Local Partnership Program prior to September 14, 2000. Ada Exempted Village in Hardin County is the only district that meets these criteria. This provision has no direct fiscal impact on school districts as Ada was provided with CFAP funding in 2005 and, therefore, did not need ENP funding.

Am. S.B. 71 of the 126th General Assembly
Effective May 18, 2005

Calamity days

S.B. 71 allowed certain school districts and nonpublic schools affected by hazardous weather conditions during the 2004-2005 school year to make up "calamity days" by counting, starting on February 1, 2005, the time schools were in session beyond the required minimum number of hours. This made it possible for school districts and nonpublic schools affected by hazardous weather conditions to meet the minimum school year requirements without incurring additional costs. Under continuing law, school districts that do not meet the minimum school year requirements for a given school year are prohibited from receiving state funds for the following school year. S.B. 71 made it possible for these school districts to receive state funds in FY 2006.

According to ODE, a total of 28 schools in 14 school districts benefited from S.B. 71 by using the alternative method to make up calamity days. The 14 school districts are: Athens City, Bridgeport Exempted Village, Federal Hocking Local, Fort Frye Local, Frontier Local, Harrison Hills City, Morgan Local, Ottawa-Glandorf Local, Pandora-Gilboa Local, Switzerland of Ohio Local, Trimble Local, Tuscarawas Valley Local, Upper Scioto Valley Local, and Wynford Local. Total state aid for these 14 school districts was approximately \$88.6 million in FY 2006.

Am. Sub. S.B. 18 of the 125th General Assembly
Effective May 27, 2005

Community school students' participation in extracurricular activities

S.B. 18 required that school districts permit students in grades seven through twelve who are enrolled in community schools sponsored by the district to participate in extracurricular activities at the district school to which the student would otherwise be assigned. The district may not require these students to enroll in more than one academic course at the school offering the extracurricular activity.

Am. Sub. H.B. 66 of the 126th General Assembly
Effective June 30, 2005

School funding formula changes

H.B. 66 made several changes to the school funding SF-3 formula that is used to provide the majority of state funding to school districts and joint vocational school districts. These changes include the following:²

- replaced the output-based system of determining the base cost formula amount with an inputs-based system, resulting in a formula amount of \$5,263 in FY 2006 and \$5,403 in FY 2007;
- provided for base funding supplements totaling \$40.00 per pupil in FY 2006 and \$47.99 per pupil in FY 2007;
- phased down the cost-of-doing-business factor (CDBF) adjustment from a differential of 7.5% to differentials of 5.0% in FY 2006 and 2.5% in FY 2007;
- required two counts of the average daily membership (ADM), one in the first full week in October and the other in the third full week in February and specified that the ADM used for funding was equal to 75% of the October count plus 25% of the February count (Am. Sub. H.B. 530 of the 126th General Assembly postponed this provision until FY 2007);
- guaranteed that each district's state base cost funding (including funding for base funding supplements) is not lower than its state aggregate or per pupil base cost funding in FY 2005, whichever is less;
- included certain property that is exempt from taxation in the valuation upon which the local share of the base cost is calculated, beginning in FY 2007;
- replaced disadvantaged pupil impact aid (DPIA) with poverty-based assistance, which consists of seven programs: all-day and every day kindergarten, class size reduction, three levels of intervention, limited English proficient student intervention, teacher professional development, dropout prevention, and community outreach;
- specified that the index used for determining a school district's poverty-based assistance funding continue to be based only on participation in Ohio Works First (OWF);

² For a detailed description of these changes see the LSC Final Fiscal Analysis for H.B. 66 that is available on the LSC web site www.lsc.state.oh.us.

- guaranteed that districts receive at least as much poverty-based assistance funding as the DPIA they received in FY 2005 less any DPIA transferred to e-schools;
- notwithstanding the current transportation funding formulas for FY 2006 and FY 2007 and provided increases of 2% per year in transportation funding to school districts receiving transportation funding in FY 2005;
- eliminated the FY 1998 fundamental aid guarantee for school districts;
- eliminated the FY 1999 SF-3 guarantee for joint vocational school districts (JVSD);
- provided transitional aid for FY 2006 and FY 2007 that ensured that each district and JVSD receives the same amount of SF-3 funding it received in the previous fiscal year (Am. Sub. H.B. 530 of the 126th General Assembly clarified that transitional aid is based on the final aid calculation for the previous year);
- based the parity aid calculation on 7.5 mills instead of 9.5 mills and paid the subsidy at 100% in both FY 2006 and FY 2007 (e-schools do not receive parity aid);
- increased the special education catastrophic cost reimbursement threshold from \$25,700 in FY 2005 to \$26,500 in FY 2006 and FY 2007 for students in disability categories two through five and from \$30,840 in FY 2005 to \$31,800 in FY 2006 and FY 2007 for students in disability category six;
- established a new, three-year payment to phase out (instead of immediately terminate) the charge-off supplement (also called gap aid) to school districts that become ineligible for the supplement after passing property tax or income tax levies in TY 2005 or thereafter. The charge-off supplement makes up the difference when a district's actual operating revenues do not cover its formula-determined local share of SF-3 funding.

Formula funding for school districts and joint vocational school districts depends on the interactions of many factors. While some changes made in H.B. 66 (such as the phase-down of the CDBF differential and lowering the parity aid calculation base) tended to limit the *growth* of state formula funding for schools from one year to another, other changes (such as increasing the parity aid payment percentage) mitigated some of this effect, and some other changes (such as base cost funding supplements and the four new poverty-based assistance programs) tended to increase state formula funding for school districts. Furthermore, the amount of state formula funding received by each district in a

given fiscal year is not only affected by statutory changes, but also changes in ADM, local property wealth, and other relevant factors.

Based on the calculations for the last regular payment in FY 2006,³ formula funding for school districts and joint vocational school districts increased from FY 2005 to FY 2006 by approximately \$155.7 million, an increase of about 2.5%. Of the 613 school districts in Ohio, 417 districts or 68.0% were credited with more state aid in FY 2006 than in FY 2005. Of the 49 JVSDs, 36 districts or 73.5% were credited with more state aid in FY 2006 than in FY 2005. Transitional aid insured that the remaining 196 school districts and 13 JVSDs were not credited with less state aid in FY 2006 than in FY 2005. The phase-down of the CDBF tended to limit the growth in base cost and weighted funding; this aid increased by approximately \$30.6 million or 0.6% from FY 2005 to FY 2006. On the other hand, poverty-based assistance grew at a relatively fast rate; in FY 2006 it was approximately \$33.6 million or 9.8% higher than DPIA in FY 2005. Although the calculation of parity aid was decreased from 9.5 mills to 7.5 mills, parity aid increased by approximately \$32.0 million or 7.5% from FY 2005 to FY 2006 because it was phased in at 88% in FY 2005, but paid at 100% in FY 2006. Finally, transportation funding increased by \$6.9 million or 2.0% as required by the act.

Reporting requirements

H.B. 66 changed some of the reporting requirements for school districts. Although reporting data to the state can be time consuming for school districts, the changes made by H.B. 66 should not require additional staff so the costs should be minimal.

Prior to H.B. 66, school districts were required to report how they expended the funds they received for DPIA. H.B. 66 included a similar requirement for the funds districts receive for poverty-based assistance. In addition, high poverty districts that receive level two and three intervention funding must provide a plan for how those funds will be used. H.B. 66 also required that rules be adopted under which the Superintendent of Public Instruction can require districts in academic watch and academic emergency to report on the use of funds provided by the state for the inputs that comprise the base cost formula amount and the base funding supplements. These rules must also specify that the Superintendent may direct the districts' spending of these funds.

H.B. 66 required a fiscal watch or fiscal emergency district to update its five-year projection of revenues and expenditures when its financial plan (required for fiscal watch districts) or financial recovery plan (required for fiscal emergency districts) is approved by the Superintendent of Public Instruction.

³ School districts are paid twice a month with 24 regular payments in a fiscal year. The data used to make the payment calculations, however, is not finalized generally until the middle of the following fiscal year at which time a final year-end adjustment is made.

H.B. 66 eliminated the mandate that each board of education must adopt, as part of its annual appropriation measure, a spending plan detailing all revenue available for appropriation and expected expenditures, including outstanding debts. H.B. 66 also eliminated the requirement that school districts file their amended certificates of estimated resources and their annual appropriations measure with ODE. Continuing law requires school districts to file their five-year forecasts of revenues and expenditures every year.

Elimination of rollback on commercial and industrial real property

For many years, the state has paid 10% of locally levied property taxes for all real property owners and an additional 2.5% for homeowners, thus decreasing property taxes paid by individual property tax payers in Ohio. This provision is often referred to as property tax "rollbacks." H.B. 66 eliminated the 10% rollback on commercial and industrial real property. This provision did not affect the amount of tax revenues received by school districts, as businesses are now required to pay 100% of their tax liabilities.

School district income tax

H.B. 66 added an option for school districts choosing to levy an income tax. Instead of the tax base being Ohio adjusted gross income, districts may choose to levy the tax on only the employment earnings portion of Ohio adjusted gross income. Am. Sub. H.B. 530 of the 126th General Assembly prohibited a district from levying taxes on both of these bases. Of the 153 school districts with an income tax in FY 2006, one district, Circleville City (Pickaway County), has adopted the new employment-only earnings base.

Community schools

H.B. 66 made many changes to the community school law, including caps on the number of community schools, restrictions and requirements for sponsors (such as a cap on the number of schools they can sponsor and a requirement that they have a record of financial responsibility and successful implementation of educational programs), and a new accountability system with new sanctions for community schools that do not perform as expected. Am. Sub. H.B. 530 of the 126th General Assembly delayed the new accountability system until FY 2007. H.B. 66 also included some provisions that reduced funding to e-schools. In general, to the extent that these changes result in fewer students attending community schools, school districts may retain more students and more state funding.

The following table shows the growth in community school ADM and funding from FY 2002 to FY 2006. The data for FY 2006 is based on the last regular payment in FY 2006 and is subject to change. The data appears to indicate, however, the growth in community school ADM and funding has slowed somewhat in FY 2006.

Growth in Community School ADM and Funding, FY 2002 – FY 2006				
Year	ADM	% Increase in ADM	Funding	% Increase in Funding
FY 2002	22,485	--	\$139.9 million	--
FY 2003	32,509	44.6%	\$204.8 million	46.4%
FY 2004	45,086	38.7%	\$301.9 million	47.4%
FY 2005	60,044	33.2%	\$423.0 million	40.1%
FY 2006	68,958	14.8%	\$485.5 million	14.8%

Academic distress commission

H.B. 66 required the Superintendent of Public Instruction, beginning July 1, 2007, to establish an academic distress commission for each academic emergency school district that has failed to make adequate yearly progress (AYP) for four or more consecutive school years. The act provided the commission with authority over specified personnel, management, and budgetary decisions to improve the district's academic performance; this authority may not be negated by collective bargaining. While not having a direct fiscal impact on school districts, such a commission may lessen some of the flexibility a district has over its finances.

Pilot Project Scholarship Program changes

The Pilot Project Scholarship Program provides scholarships to students residing in the Cleveland Municipal School District (CMSD) who wish to attend a participating nonpublic school. It also provides tutorial assistance grants to CMSD students. H.B. 66 increased the base scholarship amount to \$3,450 for kindergarten through twelfth grade (from \$3,000 for kindergarten through eighth grade and \$2,700 for ninth through twelfth grade) beginning in FY 2007. The state contributes 90% or 75% of the lesser of the actual tuition or the base scholarship amount, depending on the recipient's income. The amount available for tutoring services was limited by law to 20% of the average scholarship amount, which is slightly less than \$400 per student in FY 2006. H.B. 66 established the maximum tutorial assistance grant at \$400 per student, beginning in FY 2007. The program is partially funded through a deduction from CMSD's poverty-based assistance. These higher scholarship amounts, however, should not impact the amount of money deducted from CMSD because this deduction is limited to

\$11.9 million in FY 2007 and additional costs are paid from the state general revenue fund.

School district performance ratings

H.B. 66 excluded student performance data from a conversion community school primarily serving students at risk of dropping out of high school when calculating the sponsoring school district's academic performance for the district report card. H.B. 66 also directed ODE, when issuing school district and building performance ratings, not to reduce a district's or building's rating from the prior year based solely on one student subgroup's not meeting adequate yearly progress (AYP). These provisions do not have a direct fiscal impact on school districts.

Use of volunteers by school districts

H.B. 66 prohibited collective bargaining agreements entered into on or after September 29, 2005 from barring school districts from using volunteers to assist with functions that are not required to be performed by a person holding a license, permit, or certificate issued by the State Board of Education or a school bus driver's certificate. This provision provides greater flexibility for school districts to perform certain functions.

School district internal auditor

H.B. 66 authorized school districts to create the position of internal auditor and required persons employed in that position to hold a valid permit to practice as a certified public accountant or public accountant. Since the provision is permissive, there is no mandated fiscal effect on school districts.

Disposal of school district real property

H.B. 66 made it permissible for a school district, until December 31, 2005, to dispose of real property by private sale in support of economic development, in lieu of offering the property for sale at public auction, to a community school, or to a government entity, as otherwise required under current law, if certain conditions are satisfied. This provision temporarily provided school districts more flexibility in the disposal of real property.

Adoption of a statewide "grade acceleration" policy

H.B. 66 required the State Board of Education to adopt a model student acceleration policy by June 30, 2006. H.B. 66 also required school districts to either adopt the State Board's policy or adopt one of their own for implementation beginning in the 2006-2007 school year.

Extension of time limit for the refund of the motor fuel tax

School districts are permitted to apply for a refund of the portion of the motor fuel tax that became effective on July 1, 2003. Districts have one year from the purchase of the fuel to apply for the refund. Some districts had failed to meet this deadline. H.B. 66 gave these districts an opportunity to apply for refunds of all prior purchases so these districts could receive refunds. According to the Department of Taxation, as of July 11, 2006, approximately \$2.3 million had been refunded to school districts and county MR/DD boards.

Handicapped preschool units

H.B. 66 changed the date for determining the eligibility of children for handicapped preschool units based on their age and clarified that preschool units may be granted for any of the related services defined in continuing state law regarding services to handicapped children. These units are used to distribute state funding for preschool special education. The changes made in H.B. 66 are not likely to have much of a fiscal impact on school districts.

Post-Secondary Enrollment Options Program (PSEO)

The Post-Secondary Enrollment Options Program (PSEO) allows high school students to take college courses and receive both college and high school credit without paying for the costs of the courses. For public school students these payments are deducted from the resident district's or community school's state foundation payment. H.B. 66 required, beginning on July 1, 2005, the student or student's parent to reimburse state funds paid to a college for a course in which the student does not attain a passing final grade. Any funds collected are to be returned to the school district or community school from which they were deducted. H.B. 66 required the state Superintendent of Public Instruction to seek the funds that need to be collected. Am. Sub. H.B. 530 of the 126th General Assembly repealed this requirement and, instead, mandated school districts and community schools to seek required reimbursements. This change shifts the administrative burden of seeking reimbursements from the state to school districts and community schools.

Suspension of set-asides for certain school districts

State law requires school districts to set aside an amount equal to 3% of the per pupil base cost formula amount for the previous year multiplied by the number of students for textbooks and instructional materials and another 3% for capital and maintenance costs. H.B. 66 exempted districts in fiscal emergency from these set-asides and permitted districts in fiscal watch and fiscal caution to apply for an annual waiver to reduce or eliminate the amount of the set-aside. H.B. 66 also permitted all other districts to apply for a waiver from the requirement, but not more than once every three fiscal

years. This provision gives some districts greater flexibility in how they use their funding over a period of time.

Termination of school district transportation staff

H.B. 66 permitted local or exempted village school districts (and some city districts, but not those that are civil service districts), under certain conditions, to terminate transportation staff positions for "reasons of economy and efficiency." These districts must then contract with an independent agent to provide transportation services. Presumably, districts will only take advantage of this provision if they believe it will decrease costs.

Reductions in force of teachers and nonteaching employees

H.B. 66 expanded the reasons for which school districts and educational service centers (ESCs) may reduce the number of teachers to include financial reasons and the reasons for which local or exempted village school districts (and some city districts, but not those that are civil service districts) and ESCs may reduce the number of nonteaching employees to include any of the reasons listed for teaching employees. H.B. 66 also expressly stated that any change in the act did not affect existing collective bargaining agreements, but that the provisions would prevail over conflicting stipulations in agreements entered into after September 29, 2005. This provision may give school districts and ESCs more flexibility related to staffing costs.

Am. S.B. 6 of the 126th General Assembly
Effective August 12, 2005

Partnership for continued learning

S.B. 6 established the partnership for continued learning to promote collaboration among providers of preschool through postsecondary education and the maintenance of a high-quality workforce in Ohio. The partnership, headed by the Governor and made up of various assigned and appointed government officials and private citizens, must make recommendations for facilitating such collaboration and for maintaining such a workforce. Am. Sub. H.B. 66 of the 126th General Assembly appropriated \$300,000 in FY 2006 and in FY 2007 to support the partnership. S.B. 6 has no direct fiscal effect on school districts.

Sub. H.B. 11 of the 126th General Assembly
Effective March 29, 2006

High school diplomas for certain veterans of the Vietnam Conflict

H.B. 11 allowed a board of education to grant a high school diploma to any Vietnam Conflict veteran who attended a public high school in Ohio prior to serving in the United States Armed Forces. School districts that choose to grant diplomas to eligible Vietnam Conflict veterans could incur negligible costs for producing and mailing the diplomas and for the associated record keeping.

School bus purchase allowance

H.B. 11 allowed ODE to grant waivers to school districts, educational service centers, and county MR/DD boards to use the funds received in FY 2006 under GRF appropriation item 200-503, Bus Purchase Allowance, to purchase fuel for school buses. While it provides some flexibility in using the funds, this provision has no effect on the amount of the funds each entity received in FY 2006. Am. Sub. H.B. 66 of the 126th General Assembly appropriated \$8.6 million in FY 2006 for this item. Of this amount, 28% (\$2.4 million) is earmarked for purchasing buses used to transport special education and nonpublic school students and the remaining 72% (\$6.2 million) is used for purchasing buses used to transport regular students to and from school. According to ODE, one district has applied for and received the waiver.

Am. Sub. H.B. 203 of the 126th General Assembly
Effective March 21, 2006

School health and safety network

H.B. 203 required the Director of the Ohio Department of Health to establish the school health and safety network. This network is to coordinate the school inspections performed by local boards of health, including establishing procedures and minimum standards. Prior to H.B. 203, inspections were not standardized and could vary by local health district. H.B. 203 also decreased the number of required inspections from two per year to one per year. In addition to these changes, H.B. 203 required that schools cooperate with building inspections and develop a written abatement plan for conditions that are determined by the inspectors to be hazardous to occupants. This plan is to include a schedule for abatement completion. Presumably, school districts have always been responsible for maintaining their buildings in a condition that is safe for the buildings' occupants. The requirement for a written abatement plan may increase costs minimally.

**SECTION III: RULES ADOPTED BY
THE STATE BOARD OF EDUCATION**

Rule 3301-24-10

Effective January 16, 2004

This rule establishes the eligibility requirements for obtaining an alternative educator license. The amendments to the rule remove the requirement that the license be requested by a school district or educational service center, and allow a master's degree in the subject to be taught to replace the requirement for an undergraduate major in the subject to be taught. These changes do not have a direct fiscal effect on school districts.

Rules 3301-40-03 through 3301-40-05

Effective January 31, 2004

These rules establish the procedures for a nonpublic school requesting an administrative cost reimbursement. They do not affect school districts.

Rule 3301-8-01

Effective March 22, 2004

This rule establishes the procedures and policies of ODE regarding the payment of debt charges under the state credit enhancement program. The amendments to the rule revise the payment schedule and increase the debt to foundation aid threshold to be used to determine eligibility for the program. According to ODE, as a result of the amendments to the rule, school districts will need to make debt payments earlier than before. Districts may lose some interest income by making these payments earlier. Any loss in this case, however, will vary depending on the circumstances of each district affected, and will likely be minimal.

Rules 3301-15-01 through 3301-15-05 and 3301-56-01

Effective May 28, 2004

These rules concern ODE's school district intervention procedures. Rules 3301-15-01 and 3301-15-03 through 3301-15-05 have been completely rescinded. The amendments to the other rules reflect changes made in Am. Sub. H.B. 3 of the 125th General Assembly, which in turn conformed Ohio law to the federal No Child Left Behind Act. Although the interventions detailed in these amendments may be costly for some districts, the rules themselves do not have a fiscal effect beyond that of the state and federal statutes.

Rules 3301-61-01 through 3301-61-18 and 3301-68-01
Effective May 28, 2004

These rules govern career-technical programs, including the use of state funds. These rules have been amended as part of a five-year review. The amendments to the rules reflect current program standards that stress the need for career-technical education relevant to the student, business needs, and state academic and technical standards. The amendments also add quality benchmarks and new minimum standards for workforce development, career based intervention, and family studies programs. The new rules simplify cost formulas, define local responsibilities, and establish minimum requirements related to contracts between school districts for career-technical education. Finally, the amendments offer additional approved uses for state career-technical education funding. According to ODE, none of these changes should result in increased costs for school districts.

Rules 3301-37-01 through 3301-37-12
Effective May 28, 2004

These rules pertain to preschool programs in Ohio. They have been revised based on meetings conducted by ODE with various stakeholders throughout the state. In particular, the rules address monitoring requirements and compliance procedures for preschool programs, minimum program standards, minimum requirements of equipment and supplies, minimum requirements for information and record keeping, minimum health and safety standards, behavior management and discipline guidelines, and prevention and management of communicable diseases. These revisions to the rules may require in some cases that preschool programs, including those operated by school districts, follow new or different procedures than they were following. According to ODE, however, participants in stakeholder meetings did not believe these rules would result in additional costs for program providers.

Rules 3301-69-11 and 3301-69-12
Effective May 28, 2004

Am. Sub. H.B. 95 of the 125th General Assembly modified the state funded Head Start Program in Ohio. The act funded the program through reimbursements using federal Title IV-A (TANF) funds rather than through GRF grants. It also created two programs, one providing traditional half-day services and the other providing a combination of Head Start and childcare on a full-day, full-year basis. These new rules reflect the changes in the program made in statute. They do not create additional costs for Head Start providers beyond those already required.

Rules 3301:1-1-01 through 3301:1-1-04
Effective September 16, 2004

The OhioReads Council promulgated these rules. They include the rules for giving notice of hearings and for the terms and conditions for participation in the OhioReads reading grant program. As the OhioReads Council ceased to exist on July 1, 2004, ODE rescinded these rules.

Rule 3301-1-01
Effective September 25, 2004

This rule dictates the procedure ODE must follow to give public notice of hearings. It was amended to stipulate that notice must be published in the Register of Ohio instead of in a newspaper of general circulation in Cuyahoga, Franklin, and Hamilton counties. This amendment has no fiscal effect on school districts.

Rules 3301-73-01 through 3301-73-24
Effective September 25, 2004 and October 28, 2004

Revised Code 3319.31 permits ODE to refuse to issue, to limit, to suspend, or to revoke an educator license based on certain criteria listed in the statute. Revised Code 3319.311 permits ODE to conduct an investigation if there is reason to believe the criteria mentioned in R.C. 3319.31 has been met. Rules 3301-73-01 through 3301-73-24 detail the procedures and processes ODE is to use in implementing these statutes. None of these rules have a direct fiscal impact on school districts.

Rule 3301-51-10 and 3301-83-01 through 3301-83-22
Effective October 1, 2004

These rules detail the procedures, best practices, and state funding for the transportation of regular and special education students. Most of the amendments to these rules are technical in nature or otherwise minor. For example, districts must now keep documented proof of pre-trip inspections for all buses the districts own, and districts must notify the Ohio State Highway Patrol if a school bus is involved in an accident that results in mechanical damage or damage in excess of \$500. Any costs incurred by school districts in responding to these amendments should be minimal.

Rule 3301-27-01
Effective May 21, 2005

This rule establishes the qualifications necessary to direct, supervise, or coach a pupil activity program. The amendment to the rule requires a nonlicensed individual to obtain a pupil activity permit from the State Board of Education in order to qualify.

Rules 3301-51-27, 3301-51-28, 3301-69-06, and 3301-69-09
Effective May 21, 2005

These rules all pertain to programs that have been eliminated. Therefore, the rules have been rescinded. Rules 3301-51-27 and 3301-51-28 pertain to the interdepartmental cluster that was replaced by the Ohio Children and Family First Council. The cluster was eliminated by Am. Sub. H.B. 152 of the 120th General Assembly. Rule 3301-69-06 pertained to the adolescent pregnancy program that was eliminated by Am. Sub. H.B. 215 of the 122nd General Assembly. Finally, rule 3301-69-09 pertained to the public preschool program that was eliminated by Am. Sub. H.B. 66 of the 126th General Assembly.

Rule 3301-20-01
Effective September 23, 2005

This rule describes the conditions under which a person with a criminal conviction may or may not be employed by a school district. The amendments to the rule do not have a fiscal impact on school districts.

Rules 3301-3-01 through 3301-3-07
Effective September 23, 2005

These rules pertain to what were formally called data acquisition sites but have been renamed information technology centers. There are 23 centers in Ohio. Among other activities, these centers collect, process, store, and transfer data to and from member districts for state EMIS (education management information system) data reporting. In addition to changing the name of the 23 centers, the amendments to these rules redefine "user entities" to include community schools, not just school districts, and specify that all user entities have voting representation in site governance. The amendments also make some changes to the information technology center accountability system. In particular, they specify that service level agreements include quality implementation standards. ODE estimated that these rule changes could cost approximately \$118,000 statewide as the centers would need to make changes to various documents to reflect the changes in terminology and the accountability systems. Since the centers are supported both with state funds and with user fees paid by school districts and other user entities, some of these costs could be passed on to school districts.

Rules 3301-53-01 and 3301-55-01
Effective September 23, 2005

These rules specify minimum standards for chartering special education programs run by county MR/DD boards and state institutions. The amendments conform the rule to current terminology including disability categories and update the sections on

certification and licensure, curriculum and instruction, school day requirements, evaluations, etc. These changes do not have a fiscal impact on school districts.

Rule 3301-13-07

Effective September 23, 2005

This rule establishes the criteria for awarding an honors diploma. The amendments change the SAT standards in response to changes in the format and scoring of the SAT in order to keep levels of expectation consistent. These changes do not have a fiscal impact on school districts.

Rules 3301-24-11 and 3301-69-01

Effective September 23, 2005

These new rules pertain to alternative principals' licenses and stipends for teachers with national board certification. School districts that choose to hire principals with alternative licenses must provide mentoring and support. ODE estimated the cost of this support at approximately \$500 per principal. The state provides these funds as well as the stipends for national board certified teachers, so these rules do not have a fiscal impact on school districts.

Rules 3301-15-02 and 3301-101-01

Effective September 23, 2005

These rules deal with exemptions from state statutes and rules for school districts designated as excellent or effective. The amendments are mainly technical updates, although they also allow districts to take advantage of these exemptions through a resolution of the district board instead of by applying to ODE, which may be a less costly procedure for districts.

Rule 3301-51-30

Effective September 24, 2005

This rule was established in anticipation of ODE receiving authority to administer Medicaid funds. This authority was not granted so the rule is rescinded.

Rule 3301-53-03

Effective September 24, 2005

This rule sets forth the procedures by which excess cost is applied to school districts by county MR/DD boards. The amendments are technical and conform the procedures to current practice and so do not have a fiscal impact on school districts.

Rule 3301-92-03

Effective September 24, 2005

This rule pertains to the budget reserve funds that school districts were previously required to maintain. S.B. 345 of the 123rd General Assembly eliminated the budget reserve fund requirement so the rule is rescinded.

Rules 3301-92-01 and 3301-92-02

Effective December 24, 2005

These rules pertain to state-mandated set-asides in districts' budgets for textbooks and instructional materials and for capital improvement and maintenance. The amendments to the rules conform them to statutory changes and do not represent a cost to school districts.

Rules 3301-11-01 through 3301-11-15

Effective February 24, 2006

These new rules establish detailed procedures for the administration of the Educational Choice Scholarship Pilot Program created by Am. Sub. H.B. 66 of the 126th General Assembly. The fiscal impact of this program is covered in Section I of this report. The rules do not alter the fiscal effect of the statute.

Rules 3301-44-01, 3301-44-02 and 3301-44-05 through 3301-44-09

Effective February 24, 2006

These rules concern the Post-Secondary Enrollment Options Program (PSEO). The State Board amended these rules to comply with current law, mainly reflecting changes in the PSEO law made by Am. Sub. H.B. 66 of the 126th General Assembly, which is covered in Section II of this report. Among other things, the amendments to the rules clarify the tuition amount for the program to conform to the new base cost funding supplements and state base cost funding guarantee established in H.B. 66. As the rules were amended to reflect current statutory requirements, they do not create additional costs for school districts.

Rule 3301-85-01

Effective May 19, 2006

This rule establishes the procedure for the allocation of state funds for the purchase of school buses. Am. Sub. H.B. 66 of the 126th General Assembly changed the allocation mechanism for state funds used to purchase buses for the transportation of disabled and nonpublic students. This provision is covered in Section I of this report. The new allocation method is based on the number of disabled and nonpublic students transported on district owned or contracted school buses.

Rules 3301-12-01 through 3301-12-06
Effective May 19, 2006

These new rules establish the procedures under which the Superintendent of Public Instruction can require districts in academic watch and academic emergency to report on the use of specified state funds and can direct the districts' spending of these funds. These rules were required by Am. Sub. H.B. 66 of the 126th General Assembly. If the Superintendent does direct the spending of these state funds, the district will lose some flexibility in its expenditures, but should not incur significant costs.

Rules 3301-102-02 through 3301-102-05
Effective May 19, 2006

These rules concern community school sponsorship, detailing criteria for sponsors and sponsorship agreements as well as reporting requirements for sponsors. The State Board amended the rules to conform to current law, mainly reflecting changes in community school law made by Am. Sub. H.B. 66 of the 126th General Assembly, which is covered in Section II of this report. These amendments do not have a direct fiscal impact on school districts.

Rules 3301-104-01 through 3301-104-03
Effective May 19, 2006

These new rules concern the definitions and guidelines regarding required expenditures for pupil instruction by Internet or computer-based community schools (e-schools). They were adopted pursuant to changes in the community school law made by Am. Sub. H.B. 66 of the 126th General Assembly, which is covered in Section II of this report. The amendments to the rules clarify the definition of qualified expenditures, reporting requirements, and penalties for noncompliance for e-schools. Since they were adopted to reflect requirements that are already in statute, these rules do not create additional costs for e-schools. These new rules do not have a direct fiscal impact on school districts.

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