

## **Analysis of HB1**

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GRF Funding: The Department of Education's GRF budget (minus tax relief) totals 6.45 billion in FY10 and \$6.15 billion in FY11. GRF totals include \$387.6 million in FY10 and \$457.4 million in FY11 in State Fiscal Stabilization Funding. Lottery profits for education total \$990.2 million in FY10 and \$1.28 billion in FY11. Lottery profits include \$933 million over the biennium of revenue from video lottery terminals being installed at Ohio's seven horse race tracks.

Reimbursements for lost revenue as a result of the phase-out of Tangible Personal Property (TPP) and utility deregulation total \$1.24 billion per year. Lost revenue by districts as a result of the phase-out of TPP will be reimbursed at 100 percent through FY13, rather than FY11.

The Evidence-Based Model (EBM) replaces the Foundation Program funding methodology for school districts. Statewide funding for school districts is projected to decrease by about 0.24 percent in each year. EBM is to be phased in over 10 years. The SF-3 will be replaced with the PASS (Pathway to Student Success) form.

To implement the EBM funding, a prior year ADM count will be used for funding unless the current year exceeds the prior by more than 2 percent, in which case the current year October count will be used. Community school students are still included in the resident ADM counts and then funding is deducted on a per pupil basis. The local share of adequacy (or charge-off) is reduced to 22 mills in FY10-11, 21 mills in FY12-13, and 20 mills in FY14 and thereafter.

Each EBM component is allocated in one of the following ways:

- Per the # of teachers needed to address different types of student needs – determined by the # of students and student/teacher ratios (e.g. teachers for regular, special education, LEP, and economically disadvantaged students).
- Per pupil (e.g. instructional materials, operations and maintenance).
- Per district (e.g. district administration).
- Per organizational unit: Not an actual building but instead demonstrates the prototypical size for managing students in different grade bands. This is mostly used to allocate funds for operational/administrative costs (e.g. principals, gifted coordinators, secretaries).

Many of the funding components are adjusted by a new Educational Challenge Factor (ECF). ECF is an index that adjusts funding for certain factors to account for student and community socioeconomic factors such as the district's wealth, poverty and college attainment. The range is from 0.76 for a low poverty district to 1.64.

The budget calls for a new formula to fund the transportation of "regular" students based on either cost per mile or cost per pupil and then increased through the following – if the district meets the qualifying criteria):

- Nontraditional ridership adjustment
- High school adjustment
- Walking distance limitations adjustment
- Efficiency adjustment

The new transportation formula is more fully phased in for districts that are both, at or below the statewide median local wealth per pupil and at or below the statewide median for rider density. (However, with the transitional aid requirement this will not be implemented until FY 12).

Special education transportation funding is flat in FY10-11.

Bus purchase funding has been eliminated. Ten years ago, bus purchase funding was \$40 million.

Transitional aid is provided to guarantee that districts receive 99 percent of prior year funding in FY10 and 98 percent of prior year funding in FY11 – this does not apply to the low wealth/density transportation supplement.

A 28-member council was established to study: (The council's findings are due by December 2010.)

- Special education, gifted, career-technical, arts, and LEP education as well as Early College High Schools;
- Student-centered EBM that uses a per pupil level of funding;
- The ESC system;
- Joint vocational school districts and compact and comprehensive career-technical schools;
- Existing compensation and retirement benefits for teachers;
- Whether community schools and STEM schools should be subject to the expenditure and reporting standards and accountability requirements; and
- Analysis of the effects of open enrollment on students and school districts.

A new funding formula is included for school districts within the EBM funding formula. Community schools and STEM schools (with a consortia as the governing authority) are funded using the same methodology as in FY09 and deducted from school districts.

The FY09 per pupil amount each institution/MRDD is increased by 0.75 percent in each year and multiplied by the number of students served.

Catastrophic Special Education is funded at \$10 million per fiscal year (a 51.3 percent decrease in FY10).

Career-technical education weighted funding for each school district is increased by 0.75 percent in each year. Overall funding (through transitional aid) for each joint vocational school district is increased by 0.75 percent in each year. Institutions are still funded for career-technical education through a unit-based methodology.

A new gifted formula is used within the EBM funding formula to replace gifted units for school districts. By December 31, 2011, the State Board must establish a performance indicator that reflects the level of services provided to, and the performance of, gifted students.

Educational Service Centers (ESCs) continue to receive gifted funding totaling \$8.1 million per year. The ESC per pupil supplement totals \$46.4 million per year – a reduction of \$600,000 from FY09-10 funding – and the allocation methodology will be the same as that used for FY09.

Regional School Improvement funding is decreased by 21.3 percent in FY10 and increased by 1.4 percent in FY11. Funding for literacy programs, which also helped support the regional system, was eliminated.

Auxiliary Services and Nonpublic Administrative Cost Reimbursement funding is reduced by 13.4 percent in FY10 and flat funded in FY11.

The EdChoice maximum scholarship amount is \$4,250 in both fiscal years for grades K-8 and \$5,000 in both fiscal years for grades 9-12, which is a reduction of FY07 maximum levels.

### **Reporting and Spending Requirements**

The state superintendent must develop expenditure and reporting rules for the EBM funding components. The reporting standards cannot be effective before FY11 and the expenditure standards cannot be effective before FY12, except for the spending and reporting of gifted funding, which are both effective July 1, 2011.

All districts will eventually have to submit a spending plan describing how the EBM funding components will be deployed. Districts that qualify for oversight by the Governor's Closing the Achievement Gap Initiative must work with ODE in developing its spending plan. And, the department must develop a FACT (Formula Accountability and Transparency) form that compares EBM allocations to the spending plan and ultimately how the funds are actually deployed.

School districts are permitted to apply for a waiver of the bill's spending requirements or the new operating standards once they become effective. The waivers can be up to five years and may be renewed (exceptions for gifted funding). All-day kindergarten also has its own waiver provision.

School districts are permitted to use space in a child day-care center licensed by the state to provide all-day kindergarten.

Districts and ESCs that received gifted unit funding in FY09 must continue to spend at least that level of funding for services to identified gifted students. If a district received gifted services from an ESC who received gifted unit funding in FY09, the district must either continue receiving a comparable level of gifted services from an ESC to that received in FY09 or spend for services to identify gifted services at the level of funds expended by the ESC in FY09 on the district's students.

The two-year wait before ODE can begin issuing an annual report card for a new community school is eliminated.

ODE's authority to oversee and monitor all community school sponsors is clarified in the bill and ODE must include in its annual report on community schools the performance of the sponsors. The exception to the cap on new start-up community was revised to prohibit contracts with operators that manage other schools in Ohio, unless at least one of those schools has a report card rating higher than academic watch. The current performance criteria that trigger automatic closure of a community school were revised to allow that any community school with a majority of its students with disabilities receiving special education and related services are exempt from automatic closure.

The requirement to include measures of high school graduates' preparedness for higher education and the workforce on report cards has been eliminated beginning with the report cards for 2012-2013 school year.

The Harmon Commission was established to designate, upon application, classrooms as creative learning environments and is permitted to award grants or stipends to school districts and community schools that have classrooms designated as creative learning environments. However, no funding was provided.

## **Curriculum**

Standards in the core subject areas of math, science, social studies and English/language arts must be revised by June 30, 2010. Model curricula in these core subject areas must be revised by March 31, 2011. After these have been completed, standards and model curricula for fine arts and foreign language must be revised as well as computer literacy, financial literacy and entrepreneurship. Business standards must also be developed for grades 7 to 12.

School district boards are now allowed to waive the requirement to take an American history course for promotion from eighth grade to ninth grade for academically accelerated students who show a mastery of the subject. The budget also clarifies that a high school that permits students below the ninth

grade to take advanced work must award high school credit for successful completion of that work.

With the elimination of the Ohio Graduation Test, a new high school assessment system must be developed that is a nationally standardized assessment in science, math and English/language arts. A series of end-of-course examinations in science, math, English/language arts and social studies must be given and a senior capstone project will be required. The community service requirement was eliminated. The timing of the new assessments will be determined through rules after adoption of the new standards and model curricula in the core subject areas are completed. Administration of the “elementary” writing and social studies achievement assessments are prohibited in this biennium unless ODE has sufficient funds. Funding has not been found yet. State assessment must now be given to Cleveland Scholarship Program students.

ODE is required to develop a statewide career ladder with four licensure levels: resident, professional, senior professional and lead professional educators. New licenses will not be issued until January 2011. The previous entry year program and accompanying mentor stipends were eliminated. Regular classroom teachers under the new licensure system will be eligible for tenure after seven years of holding a educator license. And, responsibility for approving teacher preparation programs is transferred from the State Board to the chancellor of the Board of Regents.

“Good and just cause” is now the only statutory grounds for termination of a teaching contract.

The Educator Standards Board (ESB) must develop a method of measuring the academic improvement of individual students over a one-year period. ODE, in consultation with the ESB is required to develop a model peer assistance and review program and make recommendations to expand use of peer assistance and review programs in school districts by December 31, 2010. ESB is also directed to develop and recommend to the State Board standards for school districts superintendents and standards for school district treasurers and business managers.

The number of calamity days is reduced from five to three days for the 2010-2011 school year. The state superintendent is required to provide recommendations on extending the school year.

The Early Childhood Education funding is decreased by \$11.5 million in FY10 – a decrease of 33 percent – and flat-funded in FY11. The Early Learning Initiative (ELI) was eliminated and funding for preschool special education units is flat in FY10 and increased by 1.3 percent in FY11. The Center for Early Childhood Development will be created at ODE.

The State Board is required to adopt rules establishing standards and requirements for obtaining a school nurse or school nurse wellness coordinator license.

Districts, community schools, STEM schools and chartered nonpublic schools are required to inform, prior to opening day each school year, each student and their parents of the parental notification procedures in the school's protocol for responding to threats and emergency events. Four hours of in-service training is now required for the prevention of child abuse, violence and substance abuse and the promotion of youth development.