



Ohio Legislative Service Commission

Edward Millane

Fiscal Note & Local Impact Statement

Bill: Am. H.B. 4 of the 128th G.A. **Date:** May 22, 2009
Status: As Re-referred to House Finance & **Sponsor:** Rep. Phillips
 Appropriations

Local Impact Statement Procedure Required: No — No local cost

Contents: Establishes an interactive distance learning pilot project

State Fiscal Highlights

- Under the bill, the state must provide video conferencing equipment for all high schools operated by school districts in the state and pay for upgrading Internet service for one year for eligible high schools that have connections below the speed required for video conferencing. Based on the unit cost estimates provided by eTech, the one-time equipment and connectivity cost could reach \$7.4 million if all eligible high schools choose to participate in the pilot project.
- eTech will incur one-time costs for contracting with teachers to develop at least three courses that are required by the bill. eTech will also incur on-going costs for contracting with teachers to teach the required courses and for overseeing the pilot project. eTech estimates an annual cost of \$200,000 for administering the pilot project.
- The on-going instructional cost depends on the cost per teacher, the student-teacher ratio, and the number of participating students. eTech estimates a teacher cost of \$70,000 per year. Assuming that one teacher could support 100 to 150 students in different classes in a given day, it may require from 40 to 60 teachers at a cost of \$2.8 million to \$4.2 million in order to deliver the required courses to 6,000 participating students, for example.
- The Ohio Department of Education, the Board of Regents, and eTech may incur increased administrative costs for conducting a formative evaluation of the pilot project and for some other duties related to the pilot project.

Local Fiscal Highlights

- No direct fiscal effect on school districts. The pilot program is designed to be offered free of charge to all high schools run by school districts.

Detailed Fiscal Analysis

The bill requires the eTech Ohio Commission to develop and implement an interactive distance learning pilot project to provide, beginning with FY 2010, access to at least three interactive distance learning courses, free of charge, in each high school operated by a school district. The bill requires that the courses offered include two advanced placement (AP) courses and one foreign language course. The costs of the pilot project are primarily borne by eTech. The Ohio Department of Education (ODE) and the Board of Regents (BOR) may also incur some additional costs related to the pilot project.

Equipment and connectivity costs

eTech is required to provide funds for schools to purchase necessary video conferencing telecommunications equipment and connectivity devices, assist schools in arranging the purchase and installation of this equipment, and provide training in the use of the equipment. eTech must also pay, for up to one school year, the cost of upgrading Internet service for schools that currently have a connection no faster than 1.544 megabits per second (also known as a T1 line). Based on the unit cost estimates provided by eTech, the one-time cost of the pilot project could reach \$7.4 million if all eligible high schools choose to participate in the pilot project. The details of this estimate are explained below.

There are about 790 high schools that are operated by school districts in Ohio. Of these, about 220 currently have a room registered with eTech that can be used for video conferencing. eTech will have to provide funds for the other 570 schools to furnish a room with necessary equipment. Currently, about 120 high schools have only a T-1 or slower connection. Their Internet connections will need to be upgraded. According to eTech, the equipment cost is about \$8,000 per classroom (\$6,000 for a video conferencing unit and \$2,000 for a projector) and the additional connectivity cost is about \$5,400 per building per year. The combined equipment and connectivity cost is therefore about \$5.2 million ($\$8,000 \times 570 + \$5,400 \times 120$). eTech estimates a 20% add-on for assisting participating school districts in the purchase and installation of necessary equipment and connectivity devices, which will bring the equipment and connectivity costs for schools to about \$6.2 million ($\$5.2 \text{ million} \times 1.2$). eTech also estimates a cost of \$1.0 million for the entity that delivers the required courses to purchase additional equipment needed. Finally, eTech estimates a cost of \$200,000 for training in the use of the equipment necessary to participate in the pilot project.

Course development, instructional, and oversight costs

eTech is required to contract and pay teachers to develop the required courses. The course development cost is likely to be one-time. eTech is also required to contract and pay teachers to teach the courses and administer and oversee the project. eTech estimates an annual cost of \$200,000 for administering and overseeing the pilot project. The on-going instructional cost depends on the cost per teacher, the student-teacher ratio, and the number of participating students. eTech estimates a teacher cost of \$70,000 per year, a student-teacher ratio of 15:1 for a distance learning course, and that each teacher can support a total of 100 students in a given day. The 15:1 student-teacher ratio may be a conservative estimate. Arguably, the student-teacher ratio for a distance learning course could be as high as 30:1 depending on the number of sites involved. For example, the Western Heights Public School District in Oklahoma City reported a student-teacher ratio of 34:1 for an Algebra One distance learning course in two sites. One teacher may be able to support 150 students in different classes in a given day assuming a student-teacher ratio of 30:1 and a five period day for a teacher. It is unclear how many students will participate in the pilot project. It may require from 40 (6,000/150) to 60 teachers (6,000/100) at an annual cost of \$2.8 million ($\$70,000 \times 40$) to \$4.2 million ($\$70,000 \times 60$) in order to deliver the required courses to 6,000 participating students, for example.

Other administrative costs

The bill requires the Superintendent of Public Instruction, the Chancellor of the Board of Regents, and eTech to conduct a formative evaluation of the pilot project and to submit this evaluation and any recommendations for changes in the pilot project to the Governor and General Assembly by December 31, 2010. The three affected agencies may incur administrative costs in conducting the evaluation.

The bill requires ODE, in consultation with the Chancellor of BOR, to select the courses to be offered by the pilot project and to develop standards for the curriculum for each selected course. The bill also requires eTech and ODE, in consultation with the Chancellor, to jointly select the teachers to develop and teach the required courses. ODE and BOR may incur additional administrative costs in performing these duties.