



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 268 of the 128th G.A.](#) **Date:** October 30, 2009
Status: As Introduced **Sponsor:** Rep. Driehaus

Local Impact Statement Procedure Required: No — No local cost

Contents: Creates the Auxiliary Services and Administrative Cost Supplement Fund to receive state funds and to make supplemental payments to chartered nonpublic schools

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
5HE0 Auxiliary Services and Administrative Cost Supplement Fund			
Revenues	Gain of up to \$33,985,931	Gain of up to \$33,493,921	- 0 -
Expenditures	Increase of up to \$33,985,931	Increase of up to \$33,493,921	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill includes appropriations of \$33,985,931 and \$33,493,921 in line item 200649, Auxiliary Services and Administrative Cost Supplement, for FY 2010 and FY 2011, respectively, from Fund 5EH0, which is created by the bill.

Local Fiscal Highlights

- Community schools that (1) received in FY 2009 or (2) receive in FY 2010 a rating of academic watch or academic emergency will see a loss of state aid in the amount of \$700 per pupil in the following fiscal year.
- Chartered nonpublic schools will experience a gain in revenue from supplemental Auxiliary Service and administrative cost reimbursement payments.

Detailed Fiscal Analysis

Overview

The bill reduces by \$700 the per pupil base cost payment in FYs 2010 and 2011 for community schools that are rated as academic watch or academic emergency. The per pupil amount deducted from a school district's state aid for community school students, however, remains the same as under current law. Thus, the bill creates a \$700 difference between the per pupil amount deducted from a student's resident school district and the per pupil amount paid to an academic watch or academic emergency community school. The bill also creates the Auxiliary Services and Administrative Cost Supplement Fund (Fund 5HE0), and requires the Ohio Department of Education (ODE) to transfer the aggregate difference described above into this fund.

The bill makes appropriations of \$33,985,931 in FY 2010 and \$33,493,921 in FY 2011 in line item 200649, Auxiliary Services and Administrative Cost Supplement, which the bill creates under Fund 5HE0. The bill specifies that the money in the fund is to be used to make supplemental payments for students enrolled in chartered nonpublic schools for both Auxiliary Services and administrative cost reimbursement.¹

State fiscal effect

The bill makes appropriations of nearly \$34.0 million in FY 2010 and \$33.5 million in FY 2011. However, the source of revenue for these appropriations is the \$700 per pupil reduction in state aid payments made to academic watch or academic emergency community schools. Therefore, every increase in expenditures from line item 200649, Auxiliary Services and Administrative Cost Supplement, will be offset by a corresponding decrease in state payments to community schools. Thus, there will be no net effect on state expenditures. The bill merely changes the effective recipient of these state funds from community schools to chartered nonpublic schools.

Local fiscal effects

Community school payments

Under current law, the per pupil base cost amount to be used to calculate community school payments and corresponding school district deductions is \$5,718 for FY 2010 and \$5,703 for FY 2011.² The bill reduces by \$700 the per pupil base cost

¹ The supplemental Auxiliary Service payments and supplemental administrative cost reimbursement payments made to chartered nonpublic schools are to be administered in the same manner as regular Auxiliary Service and administrative cost reimbursement payments in accordance with R.C. 3317.06 and R.C. 3317.063, respectively.

² These amounts were established in R.C. 3314.088 by Am. Sub. H.B. 1 of the 128th General Assembly.

payment in both fiscal years for a community school that is rated as academic watch or academic emergency on its state report card issued for the previous school year.

According to the FY 2009 report card ratings released by ODE in August 2009, 131 community schools received a rating of either academic watch or academic emergency. Based on projected FY 2010 enrollment data, the combined Average Daily Membership (ADM) of these schools is about 37,900. Based on a \$700 reduction per pupil, the affected community schools would incur an estimated combined loss in revenue totaling about \$26.5 million in FY 2010. The amount of revenue lost by individual community schools would range from about \$21,000 to about \$1.3 million. The individual and combined impact on FY 2011 community school revenues will depend largely on the report card ratings for the FY 2010 school year.

Supplemental payments to chartered nonpublic schools

The bill makes appropriations of \$33,985,931 in FY 2010 and \$33,493,921 in FY 2011 in line item 200649, Auxiliary Services and Administrative Cost Supplement. Of these amounts, the bill earmarks up to \$23,382,321 in FY 2010 and up to \$23,043,817 in FY 2011 for supplemental Auxiliary Services payments for chartered nonpublic school students. It also earmarks up to \$10,603,611 in FY 2010 and up to \$10,450,103 in FY 2011 for supplemental administrative cost reimbursements to chartered nonpublic schools.

However, the actual supplemental payments will be restricted by the cash available in the fund and, as described above, the total amount available from reductions to community school payments in FY 2010 is estimated to be \$26.5 million. The most recent Nonpublic Auxiliary Service Payment Report, published in August 2009, indicates that the total ADM for chartered nonpublic schools for FY 2010 is 193,746. Thus, the amount available for supplemental payments to chartered nonpublic schools in FY 2010 is estimated to be about \$137 per pupil.³

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³ Supplemental Auxiliary Service payments are to be distributed on a per pupil basis. Supplemental administrative cost reimbursement payments are direct reimbursement payments for eligible costs identified in R.C. 3317.063; the total amount of regular and supplemental administrative cost reimbursement payments to each chartered nonpublic school may not exceed the \$325 limit prescribed by current law.