



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 343 of the 130th G.A.](#)

Date: January 13, 2014

Status: As Introduced

Sponsor: Rep. Stebelton

Local Impact Statement Procedure Required: Yes

Contents: Educational programs for certain students and individuals who have not received a high school diploma

State Fiscal Highlights

- Beginning in FY 2015, the bill permits up to 1,500 individuals between the ages of 22 and 30 who have dropped out of high school to enroll in certain school districts and community schools to obtain their high school diploma. The bill modifies the school funding formula to provide state aid in support of these students.
- The state and local share of the cost assumed by the formula is \$8.7 million per year, at most. On an ongoing basis, the state will likely be responsible for the majority of these costs. However, in FY 2015, the state's share may be considerably diminished because of the formula's guarantee and gain cap provisions.
- The Ohio Department of Education may incur some administrative costs in order to develop certain standards and procedures associated with these students.

Local Fiscal Highlights

- The effects on individual school districts' state formula aid associated with adult students will vary depending on each district's state share index, the mix of adult resident students opting to be educated by the resident district rather than through a community school dropout prevention and recovery program, and whether the district is subject to either of the formula's guarantee or gain cap provisions.
- School district expenditures may increase to educate adult students that have previously dropped out.

Detailed Fiscal Analysis

Educational opportunities for adult dropouts

State formula aid

In general, individuals under the age of 22 are entitled to a free education in public schools. Under continuing law, individuals 16 years of age or older who are not otherwise enrolled in a high school may enroll in an adult high school continuation program to obtain the credits needed for a high school diploma, if such a program has been established by their school district of residence. However, since individuals 22 years of age or older are no longer entitled to a free education, they may be liable for tuition costs. Beginning in FY 2015, the bill expands access to a free public education for a limited number of individuals between the ages of 22 and 30 who have not successfully obtained a high school diploma or a high school equivalency certificate through passage of the general educational development (GED) tests. Under the bill, up to 1,500 of these individuals are permitted to enroll for up to two cumulative school years either in a dropout prevention and recovery program operated by a community school or, if the student resides in a "challenged school district," in that district in order to earn a high school diploma.¹ Individuals will be enrolled on a first-come, first-served basis determined by the Ohio Department of Education (ODE). According to ODE, there are 38 challenged school districts and 86 community schools classified as dropout prevention and recovery schools.

While a school district or community school may incur new costs to educate these students, the bill modifies the school funding formula to provide state aid in support of them. To account for the new group of students, school districts and community schools must submit enrollment reports for adult students separate from those for students under 22 years of age. ODE will use those reports to calculate the total number of resident adult students for each school district. This number is added to a district's formula average daily membership (ADM) in the calculation of a school district's opportunity grant amount. School districts will receive no other category of funding for these students.

For the purposes of the school funding formula, the combined state and local cost for these students is, at most, \$8.7 million per year beginning in FY 2015, based on the per pupil formula amount of \$5,800 for that year and a maximum of 1,500 adult students. The share of the cost between the state and school districts will depend on the

¹ Challenged school districts are districts (1) in Lucas County, (2) that exhibit poor academic performance on local report card measures, (3) that are a part of the Ohio 8 group of urban districts, or (4) ranked in the lowest 5% of districts on the performance index score.

state share index of the school districts where the enrollees reside. The state share index is the formula's measure of a district's capacity to raise local revenue and ranges from 5% to 90%. In general, the lower a district's capacity, the greater the share of funding provided by the state. Most of the enrollees will likely be residing in the "Urban 8" districts of Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown. These districts have reported the majority of students that have dropped out of high school since the 2005-2006 school year, according to ODE data. These districts have estimated state share index values ranging from 45.5% to 88.9%. The weighted average state share index for these districts is 63.2%.

However, in FY 2015, a school district generally will not experience any increase in state aid from the enrollment of adult students if it receives temporary transitional aid (referred to as "guarantee" funding), which ensures that a district's state aid is no less than its FY 2013 state aid, or is subject to the gain cap, which limits the increase in a district's FY 2015 state aid to no more than 10.5% over the district's FY 2014 funding. In FY 2015, all but two of the Urban 8 districts are projected to be either on the gain cap or on the guarantee, according to LSC simulations for the H.B. 59 conference committee produced in June 2013. If this holds true, local resources will be supporting most of the cost of educating these students in FY 2015.

For each resident adult student that chooses to enroll in a community school operating a dropout prevention and recovery program, the resident district's state aid will be reduced through a deduction of the full formula amount (\$5,800), which is transferred to the educating school. Like a traditional district, a community school is not eligible to receive any other category of formula aid for the student. This deduction may be partially offset by an increase in state aid according to the district's state share index as described above.

The net effect of the bill on state aid for traditional districts will vary from district to district, depending on each district's state share index, the mix of adult resident students opting to be educated by the district rather than through a community school dropout prevention and recovery program, and whether the district is subject to either the formula's guarantee or the gain cap provisions. For example, consider the Columbus City School District. Its projected state share index is 48.27%. Theoretically, the district would receive \$2,800 in additional state aid for a resident adult student ($\$5,800 \times 0.4827$) that participates under the bill. If that resident student enrolls in a community school, \$5,800 of the district's state aid would be deducted and transferred to the educating school. The result is a net loss in the district's state aid of \$3,000 ($\$2,800 - \$5,800$) for that student. However, in FY 2015, the district is projected to be subject to the gain cap. This means that the district will receive no additional state aid for the adult student that year, but, if the student attends a community school, the per pupil formula amount would still be deducted. In this case, the net loss is the full \$5,800.

Department of Education costs

ODE is tasked by the bill with developing standards for the reporting and measurement of the academic performance of adult individuals enrolled in school districts and community schools. Given the cap of 1,500 students, ODE also must prescribe procedures and deadlines to ensure that the maximum number is not exceeded. These duties may increase the administrative costs of the department.

Community schools operating ABLE programs

Beginning in FY 2015, the bill authorizes a community school that serves students enrolled in a dropout prevention and recovery program to operate an Adult Basic and Literacy Education (ABLE) program, which is an adult education course in basic, workplace, and family literacy, English as a second language, and GED preparation. The bill specifies that the Chancellor of the Board of Regents (BOR) consider qualifying community schools to be eligible for ABLE grants beginning in school year 2014-2015. As a result, these community schools can receive ABLE funds for the first time in FY 2015. Conversely, at that time, other entities, such as school districts, joint vocational school districts, and community colleges, currently receiving ABLE funds may experience a reduction in their grant amounts if qualifying community schools are selected by BOR to receive awards.

GED testing eligibility

Under current law, in order to take the GED tests, an individual must not be currently enrolled in high school and must not have earned a high school diploma. In Ohio, test takers must also be at least 19 years old, unless the applicant qualifies for an age exception. In that case, persons as young as 16 years old may take the test. The bill lowers the minimum testing age to 18 and modifies the requirements for those seeking an age exception by requiring only a parent, guardian, or court official's written approval. Currently, an applicant also must have the superintendent of the school district or the principal of the community school or STEM school in which the applicant last attended, or their designees, complete and sign a GED age waiver form.

Relaxing these GED test restrictions may reduce the administrative burden of public schools. These changes may also increase the number of students taking the tests. Alternatively, it could mean that young applicants simply take the test earlier than they otherwise would have. According to the GED Testing Service, 8.5% of Ohio GED candidates in 2012 were between 16 and 18 years of age. Most candidates, 44%, fall in the 19 to 24 age range. Starting in January 2014, administration of the GED tests shifted from the state to Pearson VUE, a national testing entity. Thus, the GED application fees that used to be collected by the state and deposited into the GED Testing Fund (Fund 4540) are now collected by Pearson. The state will continue to process transcripts and diplomas and collect fees for such. If there are additional test takers, revenue to the fund could be greater than it otherwise would be. The Ohio Department of Education

may also incur some additional administrative costs to process additional transcripts and diplomas. Currently, GRF funding of about \$880,000 per year supports the operating costs of ODE's GED office while Fund 4540 is used primarily to reimburse GED testing centers.

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