



Ohio Legislative Service Commission

Jason Phillips

Fiscal Note & Local Impact Statement

Bill: [S.B. 123 of the 130th G.A.](#)

Date: November 4, 2013

Status: As Introduced

Sponsor: Sen. Sawyer

Local Impact Statement Procedure Required: Yes

Contents: Interdistrict open enrollment

State Fiscal Highlights

- The bill requires the Ohio Department of Education (ODE) to conduct a study related to the implementation and effectiveness of interdistrict open enrollment. ODE expects the study to be performed through contract and estimates the total cost to be about \$150,000.
- The bill repeals interdistrict open enrollment on July 1, 2015. However, it also declares that it is the intent of the General Assembly to determine whether to renew open enrollment after examining the findings of ODE's study. Total state education formula aid is not likely to change significantly regardless of whether open enrollment is renewed or not. Presumably, the vast majority of those students will remain in the public school system.

Local Fiscal Highlights

- If current interdistrict open enrollment laws are renewed, there will be no fiscal effects on individual school districts. If open enrollment is not renewed, the effects on individual school districts' state formula aid and expenditures associated with educating those students will vary depending largely on where former open enrollment students choose to attend school after the repeal.
- As of August 2013, 460 school districts and joint vocational school districts allow statewide open enrollment, 78 allow adjacent district open enrollment only, and the remaining 125 do not accept open enrollment students. In FY 2013, approximately 61,200 full-time equivalent students attended schools other than their resident school through the interdistrict open enrollment option, and \$347.3 million in state education aid was transferred on behalf of those students.

Detailed Fiscal Analysis

The bill repeals interdistrict open enrollment on July 1, 2015, and requires the Ohio Department of Education (ODE) to conduct a study pertaining to the implementation and effectiveness of open enrollment. The bill expresses the intent of the General Assembly to determine whether to renew interdistrict open enrollment laws after examining the findings of ODE's study.

Open enrollment funding

Under current law, each school district in Ohio can choose to accept students from other districts under an interdistrict open enrollment policy. Districts may offer open enrollment to students from adjacent districts or from any Ohio district. While districts are not required to permit enrollment of students from other districts, they may not prohibit students from leaving their district through open enrollment. Open enrollment participants are counted in their resident district's average daily membership (ADM)¹ for state formula aid calculation purposes. As of August 2013, 460 school districts and joint vocational school districts allow statewide open enrollment, 78 allow adjacent district open enrollment only, and the remaining 125 do not accept open enrollment students.

When a student chooses to attend a district other than the one in which the student resides under open enrollment, the formula amount and the career-technical education amount applicable to the student are deducted from the resident district's state aid and transferred to the educating district. The per pupil formula amount is \$5,745 in FY 2014 and \$5,800 in FY 2015.² If the student receives special education, the costs of this education above the formula amount are charged to the resident district.

In FY 2013, approximately 61,200 full-time equivalent students attended schools other than their resident school through the interdistrict open enrollment option and \$347.3 million in state formula aid was transferred on behalf of those students. Of the 612 school districts, 309 experienced a net loss of students under open enrollment (i.e., more students left the district through open enrollment than entered the district through open enrollment), and 296 school districts experienced a net gain of open enrollment students. In terms of open enrollment funding transfers, in FY 2013, 317 districts experienced a net loss and 288 school districts experienced a net gain. Of the 317 districts that experienced a net loss in funding transfers, the loss as a percentage of a district's total state formula aid allocation (prior to adjustments and transfers) ranged from more than 10% in 29 districts to 5.0% or less in 219 other districts

¹ ADM is the measure of the number of students that is used to determine each district's state aid allocation.

² The deduction amount for career-technical education varies depending on the type of and amount of time devoted to the career-technical program.

with an average loss of 4.4%.³ Of the 288 districts that experienced a net gain in funding transfers, the gain as a percentage of a district's total state formula aid allocation (prior to adjustments and transfers) ranged from 5.0% or less in 121 districts to more than 10% in 86 other districts with an average gain of 11.4%.

Fiscal effects of the repeal

The bill repeals interdistrict open enrollment on July 1, 2015. However, it also expresses the intent of the General Assembly to determine whether to renew open enrollment after its examination of ODE's study. If current open enrollment laws are renewed, there will be no fiscal effects on the state and school districts. If open enrollment is not renewed, the bill may affect total state education formula aid as well as individual districts' state aid and expenditures. The effect on total state education aid is unlikely to be significant assuming most former open enrollment students will remain in the public school system. However, total state education aid may decrease slightly if some of those students choose to attend a nonpublic school and will therefore no longer be counted in statewide ADM. For individual school districts, if former open enrollment students return to their resident districts, the associated state aid transfers will no longer occur. Districts that experienced a net loss of students under open enrollment may retain more state aid. These districts may also experience an increase in expenditures for educating those students. Conversely, districts that previously had a net gain of students entering the district through open enrollment may experience a decrease in state aid. However, these districts may also realize a decrease in expenditures due to educating fewer students.

There are several other school options that former open enrollment students and their families may choose after the repeal of open enrollment, including relocating to the open enrollment district, attending a community school, or enrolling in a nonpublic school. There would be little change in districts' state aid related to these options. If a former open enrollment student moves to the open enrollment district or enrolls in a nonpublic school, the student will no longer be counted in his or her former resident district's ADM for state aid calculation purposes. The net effect of these two options on the district's state aid is about the same as the open enrollment option. If a former open enrollment student chooses to attend a community school, roughly the same amount of funding will be deducted from the student's resident district's state aid and transferred to the community school instead of the open enrollment district.

Open enrollment study

The bill requires ODE to perform a study on the fiscal impacts and educational benefits of interdistrict open enrollment. According to ODE, the study will involve data collection as well as analysis, and may cost approximately \$150,000. The work will likely be performed through contract.

³ Excludes an outlier island district.

This study would be in addition to similar work being performed by the Open Enrollment Task Force created in H.B. 59 of the 130th General Assembly. The mission of the Task Force is to review and make recommendations regarding the process by which students may enroll in other school districts under open enrollment and the funding mechanisms associated with open enrollment deductions and credits. The Task Force must submit its report by December 31, 2013.

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