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Fiscal Note & Local Impact Statement

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Version: As Recommended by Conference Committee

Primary Sponsor: Sen. M. Huffman

Local Impact Statement Procedure Required: No

Jason Glover, Budget Analyst, and other LBO staff

Highlights

EdChoice Scholarship Program

- The bill modifies eligibility for first-time performance-based Educational Choice (“EdChoice”) scholarships beginning in the 2021-2022 school year. The bill’s modifications will decrease the number of schools designated for the program, likely reducing deductions of state foundation aid to pay for performance-based scholarships and increasing school district expenditures to educate public students that otherwise would have taken a scholarship to attend a nonpublic school.
- The bill increases the base family income eligibility level for income-based EdChoice scholarships from 200% of the federal poverty level (FPL) to 250%. Ultimately, the number of scholarship awards is limited to the program’s appropriation.

Provisions related to student degree completion

- State universities may incur potentially significant costs to review student records every two years to identify certain students who have been disenrolled for four or more semesters and who have not completed a bachelor’s degree but are eligible or close to being eligible for an associate degree, notify students of their eligibility, and report findings to the Chancellor of Higher Education.
- State universities and community colleges that offer certain bachelor’s degree programs may also forgo revenue from waiving, in certain circumstances, a student’s tuition and general fees for a course that is necessary to complete a bachelor’s degree.
- The bill may increase the administrative costs of state institutions and the Department of Higher Education to comply with certain prescribed reporting, study, or rule development and adoption requirements.

Other provisions

- Affected joint vocational school districts (JVSDs) will have increased revenue due to the bill's provision requiring JVSDs to be compensated like a traditional school district for the loss of tax revenue as a result of a tax exemption in an enterprise zone, depending on the specific compensation agreement.
- Fee revenue to the Teacher Licensure and Certification Fund (Fund 4L20) may increase minimally each year as a result of changes the bill makes to temporary teaching permits.
- Fewer school districts will have the opportunity to transfer territory in certain circumstances.

Detailed Analysis

The bill makes changes to the Educational Choice (“EdChoice”) Scholarship Program and addresses student degree completion at state institutions of higher education in various ways. The bill also makes a number of changes related to various aspects of career-technical education. Provisions with notable fiscal effects are discussed below.

Educational Choice Scholarship Program

Performance-based scholarships

The performance-based EdChoice Scholarship Program provides scholarships to students, other than those residing in the Cleveland Municipal School District, who attend or who would otherwise be entitled to attend a school that meets one of a number of conditions related to low performance on the state report card. Students use the scholarships to attend participating chartered nonpublic schools. The amount awarded under the program is the lesser of the actual tuition charges of the school or the maximum scholarship award. The maximum scholarship award is \$4,650 for students in grades K-8 and \$6,000 for students in grades 9-12. In general, scholarship students are counted in the resident district's student count in order to calculate state aid. The amount of the scholarship is deducted from the state foundation aid of the resident district and transferred to the educating school.

The bill modifies student eligibility criteria for first-time scholarships beginning with the 2021-2022 school year. Under the new criteria, a student is eligible for a first-time EdChoice scholarship if their school district has a three-year average Title I formula percentage of 20% or greater¹ and their school ranks in the bottom 20% of school buildings on the performance index element of the report cards under certain conditions. For example, for the 2021-2022 school year (FY 2022), a building is designated for the program if the district's average Title I formula percentage for the 2018-2019, 2019-2020, and 2020-2021 school years is 20% or greater and the school ranked in the lowest 20% of the performance index for both the 2017-2018 and

¹ Title I formula percentage is the Title I formula count, which includes children aged 5-17 (1) below the poverty level as determined by the U.S. Census Bureau, (2) above the poverty level but receiving Temporary Assistance for Needy Families (TANF) payments, and (3) in institutions for neglected or delinquent children or in foster homes, divided by the age 5-17 population.

2018-2019 school years (the two most recent years for which report cards are available).² School buildings subject to an academic distress commission (ADC) would remain designated. The table below summarizes the number of buildings designated and the number of districts with at least one building designated for FY 2022 under both current law and the bill. As the table shows, a total of 473 buildings in 87 school districts (including four buildings designated only by the ADC criteria) meet the bill's conditions, a reduction of 754 buildings and 339 districts with at least one building designated compared to current law.

Traditional District Schools Designated for the EdChoice Program, FY 2022			
Category	FY 2022 (Current Law)	FY 2022 (S.B. 89)	Difference FY 2022
Buildings Designated	1,227	473	-754
Districts with One or More Designated Buildings	426	87	-339

While the bill reduces the number of school buildings designated, it qualifies students for a first-time scholarship, for the 2021-2022 school year only, based on whether they were eligible for a scholarship for the 2020-2021 school year under H.B. 197 and whether they would be assigned to a school building that met conditions under current law in 2019-2020. H.B. 197 qualifies a student for a first-time performance-based scholarship if the student meets one of three sets of eligibility criteria that, depending on the criteria, generally involve students enrolled in or who would be enrolled in school buildings that were designated either for the 2019-2020 school year (517 school buildings) or both the 2019-2020 and 2020-2021 school years (500 school buildings).³ Additionally, the bill extends the application window to March 1, 2021, from February 1, 2021, as under current law.

Overall, these provisions may decrease the number of scholarships awarded in FY 2022 relative to current law, under which students from any of the 1,227 buildings in 426 school districts currently designated for the EdChoice Scholarship Program would be eligible for a scholarship (the list of designated buildings is presumed to be the same for the 2021-2022 school year as in the 2020-2021 school year due to the safe harbor provisions). As a result, the bill may decrease the amount deducted from a district's state foundation aid. Also, school district expenditures may increase to educate public students that otherwise would have taken a scholarship to attend a nonpublic school. Ultimately, fiscal effects will vary depending on the district, as the bill will result in some schools designated that otherwise would not have been and vice versa. For example, in FY 2022, 797 school buildings would be removed from the list,

² In response to the COVID-19 pandemic and ordered school closure, H.B. 197 of the 133rd General Assembly prohibited the Department of Education from publishing report card ratings and grades for the 2019-2020 school year.

³ For details regarding the eligibility criteria for first-time, performance-based scholarships in H.B. 197, please see the H.B. 197 LSC bill analysis beginning on page 24. The bill analysis is available online at <https://www.legislature.ohio.gov/download?key=13600&format=pdf>.

but 43 would be newly designated. Because the scholarship amount is deducted from state foundation aid payments, a change in the number of scholarship students generally will have no direct fiscal effect on the state. As a point of reference, in FY 2020, roughly 30,000 students were awarded a performance-based scholarship, with awards totaling about \$149 million.

Income-based scholarships

The income-based EdChoice Scholarship Program provides scholarships for students whose family income is at or below 200% of the federal poverty level (FPL), regardless of the academic rating of the school they would otherwise attend. Unlike the performance-based program, students qualifying for EdChoice under the income-based program are not counted in their resident district's student count for funding purposes and, accordingly, deductions of state foundation aid do not fund the scholarships. Instead, the scholarships are paid directly by the state from GRF appropriations. H.B. 166 appropriates \$121.0 million in FY 2021 for income-based scholarships for students in any of grades K-12.

Under current law, a student is eligible for a first-time scholarship if the student's family income is at or below 200% FPL. Once a student receives a scholarship, the student may continue to receive one, at a prorated amount, if the student's family income increases above 200% FPL up to a maximum of 400% FPL. The bill increases the initial eligibility threshold from 200% FPL to 250% FPL. This change will tend to increase the number of initial scholarships awarded and the amount of the scholarship for students with family income between 200% FPL and 250% FPL. Ultimately, the number of scholarship awards is limited by the program's appropriation.

Provisions related to student degree completion

Generally, the bill's provisions address student degree completion at state institutions of higher education in various ways, including requirements for (1) each state university to review its student records every two years to determine if certain disenrolled students who did not complete a bachelor's degree are eligible or close to being eligible for an associate degree and (2) state institutions, under certain circumstances, to waive an eligible student's tuition and general fees for a course that is necessary to complete a bachelor's degree. The bill also prescribes some additional administrative responsibilities for state institutions of higher education and the Department of Higher Education (DHE). These provisions are discussed below in more detail.

University review of student records for associate degree or certificate eligibility

Each state university will likely incur increased administrative costs to review its student records every two years to identify certain disenrolled students who have not completed a bachelor's degree but are eligible or close to being eligible for an associate degree. The bill prescribes the criteria that each state university must use to identify the students. A student must (1) have been disenrolled for four or more semesters, including summer sessions, (2) have not completed a bachelor's degree, (3) have a grade point average of 2.0 or higher on a 4.0 scale, and (4) have completed at least 45 credit hours. The first review conducted under the bill must include students who disenrolled from the university within the prior five years while subsequent reviews are limited to students who disenrolled within two years prior to that review. Each institution must notify, using the most recent contact information the university

has on file, those students that are eligible or close to being eligible for an associate degree offered by that university, and report the findings of each review to the Chancellor of Higher Education. Such costs may be significant to identify students, complete degree audits, and, if eligible, provide notification. The administrative workload of DHE will increase to develop and adopt rules to implement the program.

Several years ago, DHE piloted Project Win-Win, a program that appears to be similar to the one proposed above that operated in nine states and 61 two-year institutions. Project Win-Win identified students who were either eligible for an associate degree or stopped their education when they were very close to earning the degree and assisted those students in completing the courses and credits needed to qualify for the degree. Seven university regional campuses and community colleges participated in the program in Ohio. The Lumina Foundation supported the program through grants passed through DHE to the participating institutions. Those institutions received a total of about \$111,000 from the Foundation to carry out the program. In October 2013, the Institute for Higher Education Policy published a report evaluating the national implementation of Project Win-Win.⁴ Below are some notable findings that may be applicable to the program required by the bill.

- “By far, the degree audit was the most difficult and time-consuming Win-Win task in determining . . . whether students . . . should be awarded an associate’s degree, or, if not, whether they were “potential completers”” with a relatively small number of credits left to earn an associate degree. There are various software programs available to automate the degree audit process, but, to maintain academic integrity, “nearly all institutions that employed these tools supplemented their findings with hand-and-eye readings; 11 schools used nothing but hand and eye.”
- The registrars’ office is central in the degree auditing work, “but some Win-Win institutions hired temporary employees with the necessary background and knowledge of institutional protocols to handle the load. These included retired deans of students and former institutional research officers – all working part time.”

Waiver of tuition and general fees for final course

State institutions of higher education may forgo revenue from waiving, in certain circumstances, an eligible student’s tuition and general fees for a course that is necessary to complete a bachelor’s degree. This provision mostly affects public universities since, with the exception of “applied bachelor’s degree programs,” two-year public colleges generally offer two-year degrees or shorter programs. The amount of foregone revenue will depend on the number of students eligible for a tuition waiver and each institution’s tuition rates. LSC does not have data that suggests how many students may qualify, but the number may be somewhat limited due to the criteria specified by the bill. In order to be eligible, all of the following must apply to the student:

⁴ Adelman, Ph.D., Cliff, “Searching for Our Lost Associate’s Degrees: Project Win-Win at the Finish Line,” Institute for Higher Education Policy, October 2013. Available online at <http://www.ihep.org/research/publications/project-win-win-finish-line>.

- The student was enrolled full time, as defined by the Chancellor, in the student's final year;
- The student was unable to enroll in the final course in the student's final year due to a lack of course availability or other circumstances beyond the student's control, as determined by the Chancellor;
- The student paid all tuition and general fees and did not receive a refund for the courses in which the student enrolled in the student's final year at the beginning of that year;
- The student registers for the final course in the next academic year in which the course is offered;
- The student did not enroll in the maximum amount of credit hours in the student's final year, as determined by the state institution of higher education.

DHE's administrative workload will increase to develop and adopt rules to implement the program.

New higher education-related administrative responsibilities

The bill also may increase the administrative costs of the state institutions of higher education and DHE to fulfill the requirements described below.

- A state university must provide information on how to use both its transfer appeal process and DHE's student complaint portal to a student that has been denied credit any time the university refuses to accept or grant credit for any general education coursework that is both completed at a different state university and subject to the policies, procedures, or systems in place or proposed under the bill related to the transfer of college credits.
- Each state institution of higher education must include in its updated strategic completion plan, provided to DHE every two years under continuing law, a report about the institution's collaboration with other institutions of higher education through the Chancellor's initiative to assist students who have some college experience, but no degree, in earning an associate degree, certificate, or credential. The initiative appears to be the Credit When It's Due (CWID) Program, which began in 2013 to assist eligible students with obtaining an associate degree through collaboration between the public institutions. According to DHE, all 13 public universities and 23 community colleges participate in the initiative.
- DHE's Ohio Articulation and Transfer Network Oversight Board must conduct a study of current rules involving college credit transfers between state institutions of higher education and, within one year after the bill's effective date, issue to the General Assembly a report of its findings and recommendations for changes to the rules.

Electronic equivalency management tool

There appears to be little, if any, fiscal effect associated with the bill's requirements for DHE to develop an electronic equivalency management tool to assist in the transfer of coursework and degrees between state institutions of higher education. It appears DHE may already comply with this requirement through various resources available on its website. DHE

currently oversees the Course Equivalency Management System (CEMS), an online portal that, according to DHE, is used to submit courses and programs and create matches for Ohio Transfer Modules (OTM), Transfer Assurance Guides (TAGs), Career-Technical Assurance Guides (CTAGs), and Advanced Placement (AP). Faculty panels review courses submitted by institutions to the system and approve matches. In addition, DHE hosts an online tool for students that uses a five-step process to determine if a student's credits will transfer towards certain transfer-to-degree pathways at other institutions in the state.⁵

Provisions related to career-technical education

Compensation of JVSDs located in enterprise zones

The bill requires that a joint vocational school district (JVSD) be compensated at the same rate and under the same terms as a school district when a legislative authority of a municipal corporation or county enters into a compensation agreement with the school district for the loss of tax revenue as the result of a property tax exemption for a business that plans to locate in an enterprise zone. This will result in increased revenue for affected JVSDs, the amount of which will depend on the specific compensation agreement.

Education Management Information System

The bill makes two changes in regard to the Education Management Information System (EMIS), the primary system the Ohio Department of Education (ODE) uses for collecting student, staff, course, program, and financial data from Ohio's public schools. The bill requires ODE to (1) develop a procedure by June 1, 2021, that permits EMIS users to review and provide comment on new or updated EMIS guidelines, and (2) establish EMIS guidelines for career-technical planning districts (CTPDs) and training programs for personnel that administer EMIS. These requirements may increase administrative costs for ODE, although ODE currently provides EMIS guidance and training.

CTPD FTE determination

The bill permits the lead district of a CTPD to enter into an agreement with another district within the CTPD to establish a method to determine the full-time equivalency (FTE) of a student enrolled in both districts for state funding. Currently, the percent of time a student spends in two different districts is determined by the districts and reported to ODE. However, calculation of the FTE for that student is determined not only by this split, but also by other data such as the student's enrollment date and the student's school calendar. It is not clear if this provision of the bill changes that determination. If so, the provision may increase costs for ODE to change current processes in EMIS.

Temporary teaching permits for nonlicensed individuals

Under current law, the State Board of Education must issue temporary teaching permits to individuals who do not have a teaching license or certificate, but who are otherwise qualified, to teach classes for up to 12 hours per week or up to 40 hours per week if teaching in a science, technology, engineering, or mathematics (STEM) school. The State Board sets the

⁵ To access the tool and view more information on transferring college credit, please view the following link: https://transfercredit.ohio.gov/pg_20.

qualifications for these permits in rule, though continuing law requires these individuals to possess a baccalaureate, master's, or doctoral degree in, or significant experience related to, the subject the individual is to teach. By rule, the permit is valid for one year in the district or STEM school that engages the individual to teach. The district superintendent or STEM school administrator must request the State Board to issue a temporary teaching permit.

The bill does all of the following with respect to temporary teaching permits: (1) extends the availability of temporary teaching permits for up to 40 hours per week to an individual teaching an industry-recognized credential program offered at a dropout recovery community school, (2) requires an individual teaching a career-technical education (CTE) class under a temporary permit to have significant career-technical experience, and (3) requires temporary teaching permits to be renewable. If the provision increases the number of temporary teaching permits issued, license revenue to the Teacher Licensure and Certification Fund (Fund 4L20) will increase. Any fiscal effect appears minimal. Temporary teaching permits carry a fee of \$40.

Model guidance for inventory of industry-recognized credentials

The bill requires the Governor's Office of Workforce Transformation (OWT), ODE, and the Chancellor of Higher Education, in consultation with Ohio career-technical associations and other stakeholders to develop model guidance for maintaining a statewide inventory of industry-recognized credentials by July 1, 2021. The model guidance will address all of the following: (1) methods for state agencies to organize different categories of industry-recognized credentials in a manner that permits students, schools, and institutions of higher education to understand credentialing options based on an individual student's circumstances, (2) the potential creation of a public, inter-agency database of information on all industry-recognized credentials, (3) methods to streamline the process of adding career-technical programs to approved credentialing lists, and (4) methods to increase transparency in the industry-recognized credential approval process.

Under current law there are two inventories of industry-recognized credentials, one developed by the Superintendent of Public Instruction, OWT, and representatives of business organizations for purposes of the state report card and qualifying for a high school diploma and one created by the Chancellor of Higher Education that is required to contain the credentials offered at state institutions of higher education and Ohio technical centers that align with in-demand jobs in Ohio. Developing the model guidance may increase the administrative costs of OWT, ODE, and the Department of Higher Education.

School district transfer process

Effective September 1, 2021, the bill repeals a provision permitting electors residing in school district territory located within a township split between two or more school districts to petition for the transfer of territory to an adjacent school district. Any school district board of education that begins the territory transfer process prior to September 1, 2021, may continue the process. This repeal limits the number of school districts that will have the opportunity to gain or lose territory and the potential administrative costs associated with the territory transfer.