

**MEMORANDUM**

TO: Chris Castle, Ohio Department of Education

FROM: Paula Steele, Regulatory Policy Advocate

DATE: March 06, 2013

RE: **CSI Review – Standards for measuring sponsor compliance with applicable laws and rules (OAC 3301-102-08)**

On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) section 107.54, the CSI Office has reviewed the abovementioned administrative rule package and associated Business Impact Analysis (BIA). This memo represents the CSI Office's comments to the Agency as provided for in ORC 107.54.

Analysis

One new rule is being proposed by the Ohio Department of Education (ODE) as a result of legislative requirements in House Bill 555, which was enacted in December 2012 and takes effect in March 2013. The bill requires ODE to develop and implement an evaluation system that rates community school sponsors. According to ODE, most community school sponsors are public entities, but there are a few federal non-profit sponsor entities that are considered businesses that could be adversely impacted by this rule. Therefore, as required by statute, this rule was submitted to the CSI Office on February 13, 2013, and the comment period expired on February 20, 2013. There was one comment received during that time.

The evaluation system is based upon three equally weighted components: academic performance, adherence to quality sponsoring practices, and compliance with applicable laws and rules. The proposed rule prescribes annual evaluations of each sponsor which results in a rating of "exemplary," "effective," or "ineffective." According to ORC 3314.016, if a sponsor is rated as

“ineffective” overall, the sponsor is prohibited from sponsoring any new community schools until it improves its rating to “effective” or “exemplary.”

In its BIA, ODE staff described a comprehensive stakeholder outreach process for the rule’s development and also for the Sponsor Performance Review which includes standards for measuring compliance with applicable state laws and rules. The public comment period included two suggestions, which according to ODE are being considered for changes to the rule. Neither suggestion appears to alter the impact to business.

ODE identified the adverse impact to federal non-profit entities as the potential effects – i.e., the limits on sponsoring additional schools – of receiving an “ineffective” rating. ODE estimated the average impact would be approximately \$35,100 in potential lost revenues from future sponsorship fees (per school).

After reviewing the proposed rule and the associated BIA, the CSI Office has determined that the rule satisfactorily meets the standards espoused by the CSI Office, and the purpose of the rule justifies the adverse impact identified in the BIA.

Recommendations

For the reasons discussed above, the CSI Office does not have any recommendations for this rule package.

Conclusion

Based on the above comments, the CSI Office concludes that ODE should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.

cc: Mark Hamlin, Director of Regulatory Policy