All in for Ohio Kids
Fully and fairly funding Ohio’s public schools
Great public schools provide a foundation of opportunity for children, their families, communities and the entire state. All children, regardless of ZIP code, race or family income deserve to be educated in fully and fairly funded schools. In fact, the framers of Ohio’s constitution required the state to provide a “thorough and efficient system of common schools” for all students.1 Yet for many years Ohio lawmakers have provided neither sufficient nor fair distribution of state support. Even as policymakers have expected public schools to do more, they have cut state aid to public schools over time, by allowing it to be eroded by inflation and diversion of funds to charter schools (called “community schools” in Ohio law) and vouchers (scholarships to private schools). As a result, public schools have increasingly relied on local resources, which causes unequal funding and quality across districts. This is because our state’s school-funding system relies heavily on property taxes, which advantages wealthier districts. Communities with high property values can collect large sums for their public schools. Those with low property values can’t leverage as much in property taxes.

The dependence on local resources affects communities in different ways. As corporations eliminated jobs with living wages in Ohio, racial discrimination in employment and government-sanctioned segregation forced Black, Indigenous and other people of color into neighborhoods of concentrated poverty, which hinders learning.2 Schools in these communities need additional resources, but the declining local tax base cannot generate what’s needed. Many rural and small-town districts have faced economic challenges that make it hard for them to provide local funding. Suburban areas experiencing explosive growth struggle in a different way. Ohio kids are poorly served because state lawmakers fail, year after year, to fix a broken system for funding public schools, although funding has increased for vouchers and charters — which often have private managers who may draw a profit from the charter schools they run and too often have poor performance.3

The good news is that the new American Rescue Plan will provide $4.47 billion in federal pandemic aid to Ohio’s schools, to meet the challenges resulting from COVID-19 and to rebuild for the future. Moreover, state lawmakers are working to replace the broken state school financing system. The Fair School Funding Plan, moving forward in the Ohio General Assembly as House Bill 1 and included in the Substitute House budget bill for 2022-23, would provide fair state aid, a measure of equity, and predictability across the hundreds of public school districts in the state.

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1 “The General Assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state; but no religious or other sect, or sects, shall ever have any exclusive right to, or control of, any part of the school funds of this state.” Oh. Const. art. VI § 2.
All kids need excellent public schools and every school district needs a fair share of state aid to provide them. This report lays out some key faults in the state school funding system and describes how state lawmakers can go all in for Ohio kids and turn this bad situation around.

States where people have the highest levels of education also have jobs that pay the highest wages. The future is brighter for kids in these states. The economy — which is, after all, simply the well-being of all people, taken together — is stronger where there are good schools. Ohio is not doing well compared to other states: State funding for 59% of public school students is below the per-pupil national average, which is far below the best performing states.

In 1991, a student in a rural Perry County school district filed a complaint against Ohio’s inequitable system of school finance. That eventually became the DeRolph v. State of Ohio case. In 1997, the Ohio Supreme Court ruled that Ohio’s school funding system was unconstitutional because of its heavy reliance on local resources. Local resources vary from community to community: Children get a better quality of education in some places than in others. But Ohio’s constitution places the responsibility for ensuring a good education on the state, not local schools.

Lawmakers have still not fixed the problem. Figure 1 shows that, on average, local governments paid for the greater part of school funding in each of the last 40 years but three, 1987-1989. At times, the gap narrowed between state and local share, but the 2006-07 budget halted that progress by eliminating major business taxes and phasing in big state income tax cuts. Gov. Ted Strickland made positive steps using federal stimulus (not included in the chart). But Gov. John Kasich promptly reversed that effort with a $1.8 billion cut to school funding imposed over the two-year budget of 2012-13. School funding has lagged ever since. By 2020, the state share of school funding had fallen to its lowest point since 1985.

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4 People with higher levels of education have lower unemployment and higher wages: https://www.bls.gov/emp/chart-unemployment-earnings-education.htm; states where the population has higher levels of education fare the best in terms of wages as well. See Berger, Noah and Peter Fischer, “A Well-Educated Workforce Is Key to State Prosperity,” Economic Policy Institute, August 22, 2013 at https://bit.ly/2PVkiiCv.

5 In Washington D.C., Wyoming, Rhode Island, Maryland, Connecticut and Pennsylvania all children receive funding that is higher than the national average; another 4 states are at over 90%. Quality Counts 2020: School Finance, Education Week at https://bit.ly/3tCm5qK.

6 A good timeline and discussion may be found at Bhatia, Kahir, “After a Generation, Is There Finally A Fix for Ohio School Funding?” Ideastream, (WVIZ), February 18, 2021 at https://bit.ly/3c1IPcd.

Lawmakers have allowed state funding for Ohio’s public schools to rise and fall over time, adjusted for inflation. They also changed the formula for granting state aid four times over the past dozen years.\(^8\) Uncertainty in state aid made planning and staffing hard for districts. A Policy Matters Ohio survey of school districts in 2015 found districts boosted budget reserves instead of restoring services even when economic conditions improved. One survey respondent stated: “The inability to provide a sound forecast past the current biennium budget is a very poor way to conduct business, yet that is the way we must operate in public schools.”\(^9\)

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\(^8\) A school funding formula in place in 2007 was replaced by the Strickland administration with the “Evidence Based Model,” which was dropped for a new formula under the next governor, John Kasich. Governor DeWine has simply frozen school funding at 2019 levels, not using any formula at all.

In the first years following the Supreme Court finding, lawmakers worked to improve the system. Poverty affects children’s ability to learn, and concentrated poverty makes it worse. Educators persuaded the legislature to provide extra funding for students experiencing poverty. But as the number of “economically disadvantaged” students in Ohio rose, funding did not keep pace.

For kids, the outcome of overreliance on unequal local resources is unequal learning opportunity, which contributes to unequal achievement. Students in districts with the highest property value per pupil scored 33% higher on the state’s “Performance Index,” on average, than students in districts with the lowest property value per pupil. The inequality in school funding has a lifelong impact on opportunity. This is unfair to far too many Ohio kids, particularly children who are Black, brown or Indigenous.

The cost of education rises with inflation, the changing needs of students and efforts by school districts to improve educational services. Figure 3 shows how the Bellaire school district — along the Ohio River just south of I-70 — grew its revenue between 2017 and 2020 to ensure it had the resources to meet student needs, but the state did not match the effort. If state funding kept up with the rising cost of education, Bellaire Local School District would...
have had $1.56 million more for students and educational services by the end of the five-year district forecast.

**Figure 3**

*State aid fails to keep pace with rising needs, costs of classroom instruction*

Bellaire Local School District (not adjusted for inflation)

![Graph showing state aid expenditure from FY 2017 to FY 2020.](image)

*Source: Policy Matters Ohio, based on data provided by the Ohio Education Association (Five-Year Forecast Data for Bellaire Local School District)*

A system of Band-Aids and patches

Today there is little connection between the funding of Ohio’s schools and the cost of educating a student: Formula funding is simply frozen at 2019 levels. Lawmakers provided no increase to cover the effect of inflation and the rising cost of education since then. According to projections used in the governor’s budget, between 2019 and 2023, state formula funding for public education will lose over $600 million in value as a result of inflation.14

The school funding formula that lawmakers most recently put in place before the freeze had, over time, a reduced connection to the cost of educating a student. The formula tied one district’s funding to the level of local resources in every other school district, so changes in property values and income in any one district would affect the other districts. State lawmakers redistributed funding within this eroded system by capping state aid in some places and guaranteeing a level of aid in others. Districts faced uncertainty in state aid as a result of changes in enrollment, the cost of education, state aid and even changes in other districts. This made planning difficult and hiring risky.

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14 Estimate is based on Ohio LSC historical expenditures tables; inflation for 2021, 2022 and 2023 is based on the Executive Budget forecast for the 2022-23 budget.
Between 2017 and 2019, 82% of districts were either capped or received a minimum of guaranteed state funding. Many residents in capped districts felt their schools did not get a fair or needed share of basic state aid. The guarantee protected against sharp cuts to state aids for schools in low-income districts and districts that were losing population, but some remained unable to meet needs.

Figure 4 illustrates how the funding cap works. In the 2018-19 school year, the funding formula calculated that Washington Local School District, serving students who live in northwest Ohio (Lucas County), should receive $45.1 million in state aid, but funding was capped. The district would have received nearly 50% more in state aid if there was no cap.

Figure 4

Caps leave districts with lower state aid than formula would provide

Washington Local would have gotten $14.53 million more but for the cap

State formula funding
Additional formula funding if cap were not in place

Source: Policy Matters Ohio, based on data provided by the Ohio Education Association: Ohio Department of Education, FY2019 Final #2 Payment, Data as of 12/13/2019 at https://bit.ly/3m4BwFY

Deductions for private and charter schools

In recent years, Ohio lawmakers have sent a growing share public funds to sometimes privately-run charter schools (called “community schools” in Ohio law) and to vouchers that are used to subsidize tuition for students at private schools.

Charter schools are less regulated than public schools. In many cases, they are run by for-profit management companies that draw a profit from public funding. In 2020, Ohio had 313 charter schools serving 102,645 students. More than half (57% or 178) were operated by for-
profit entities. In 2020, the state sent $846.5 million to community schools, which served about 6% of total students. Following a scandal with one very large operator, House Representative Gayle Manning proposed legislation to eliminate the for-profit managers.

Figure 5

Charter schools are funded by both state and local dollars. For example: Columbus received $4,815 per student in the 2018-19 school year in state formula funding, but the district had to provide an average of $8,305 per student in the 2018-19 school year to students at charter schools. In other words, for every charter student, Columbus must provide $3,489 more than it receives from the state. The state dollars do not cover those extra funds.

Since the late 1990s, Ohio lawmakers have also given a growing share of public resources to private schools through a system of scholarships or “vouchers.” In 2020, vouchers cost the

18 Ohio Department of Education, Fall Enrollment Headcount, 2019 at http://education.ohio.gov/Topics/Data/Frequently-Requested-Data/Enrollment-Data – In school year 2019-20 there were 1,736,887 students enrolled in public schools (http://education.ohio.gov/Topics/Data/Frequently-Requested-Data/Enrollment-Data). There were 102,645 students enrolled in community (charter) schools in that year, according to the Ohio Community Schools annual report: http://education.ohio.gov/Tod...Schools/Annual-Reports-on-Ohio-Community-Schools
19 HB 549 of the 133d General Assembly would have banned for-profit operators. “Ohio has 178 charter schools that contract with a for-profit operator, and they would all have to switch to a nonprofit or close if a bipartisan bill introduced Wednesday in the Ohio House becomes law... The challenge that we have had with charter schools is that they are not playing by the same rules,” Manning said. “They are taking public dollars, and we should be able to know where those public dollars are going.” See Staver, Anna, “Ohio lawmakers move to ban for-profit charter school operators,” Op.Cit. at Columbus Dispatch, March 11, 2020 at https://bit.ly/3chFrd
20 Ohio has three different voucher programs: EdChoice, Jon Peterson, and Autism, which in 2020 ranged from $4,650 for elementary school EdChoice vouchers, to $27,000 for Autism vouchers. That cost is then shared by the state and the local district where the voucher student resides. The state contribution is equal to the amount of state aid a public school student would receive. The local district pays the rest. Average state aid ranges between about $600 and $10,000 per pupil, depending on the capacity of local districts to pay for education basics. The local district must use dollars intended for public school students to pay the voucher cost that is “unfunded” by state aid.
state $329 million.\textsuperscript{21} Ohio’s has three main voucher programs that subsidize students who attend private or religious schools and certain students with special needs who attend schools with unique programming that addresses their educational needs.

**Figure 6**

![State aid to vouchers (scholarships to private schools) has risen over time](image)

Public school districts pay for voucher students as if they are enrolled in the district where they reside, but state aid may not totally cover the full subsidy of the state voucher; local resources may be stretched to cover costs associated with students in the traditional public system as well as students in private schools.

The use of vouchers is heavily concentrated in a limited number of districts. Fifteen of the 31 districts that transferred 10% or more of their total state aid to vouchers are located in Cuyahoga County.\textsuperscript{22}

There are other ways in which the state subsidizes private education, although this does not affect the budgets of local districts. For example, the state provides a tax break on funds parents set aside for private school tuition. In the year it was first funded, the Department of Taxation estimated it would drain $30 million from state resources.\textsuperscript{23}

\textsuperscript{21} State Foundation Payment report (SFPR) #2 (Column U) [https://bit.ly/3IAdsko](https://bit.ly/3IAdsko)


Compounding harms

In 2005, Ohio’s legislature passed a budget that eliminated property taxes on machinery and equipment and other tangible personal property, the Tangible Personal Property tax (TPP). This had a significant impact on Ohio’s public schools. The state committed to provide reimbursements for lost local taxes for five years and promised to continue support after that with 70% of the new business tax created in 2005, the Commercial Activity Tax. However, lawmakers mostly phased out these reimbursements in the budget of 2012-13 and abandoned the promise of continued support. The state supports schools by picking up a share of homeowners’ and seniors’ property tax, but this support has also been reduced in recent years.24

As lawmakers failed to boost investment in public schools, residents in many places tried to maintain school quality by voting for property tax increases, but local collections faltered. On average, even as local tax rates across urban school districts rose between 1986 and 2021, increased rates did not always yield needed resources. The problem was especially prevalent in schools with a majority of Black and brown students — a consequence of the insidious effect of racism, embedded in housing and lending policies, employment practices and many other public policies that forced many people of color into under-resourced, segregated communities.

Figure 7

Residents increase local resources to fund schools, but can’t always keep up

1986-2021, adjusted for inflation

Source: Ohio Education Association, based on Ohio Department of Taxation, Taxable Property Values by School District, Taxes Levied and Tax Rates for Current Expenses, and Average Property Values per Pupil. Note: Major urban districts are classified in the Ohio Department of Education Typology 8: Very high student poverty & very large student population. Other urban districts are covered in Typology 7: High student poverty & average student population.

24 The reductions of 10 percent and 2.5 percent of tax bills for owners and owner-occupants, respectively, have been eliminated on new and replacement levies for schools and local governments. In addition, the Homestead Exemption was eliminated for new seniors making more than $30,000 a year, indexed for inflation. See Patton, Wendy, “Overview: Ohio’s 2014-15 budget,” Policy Matters Ohio, October 3, 2015 at https://bit.ly/3rCGCry.
The problem of rising needs and diminished local resources is not limited to districts in urban and major urban places. Suburban districts like Maple Heights near Cleveland and St. Bernard-Elmwood near Cincinnati were also impacted, as well as smaller cities and towns like Middletown, Lordstown and Fostoria.\footnote{Ohio Education Association, based on Ohio Department of Taxation, Taxable Property Values by School District, Taxes Levied and Tax Rates for Current Expenses, and Average Property Values per Pupil. Inflation done through BLS Inflation Calculator}

The declining value of state aid complicates dependence on local resources. Figure 8 illustrates the rising cost per pupil in a rural district: Barnesville Exempted Local (located just east of Cambridge, Ohio, near the intersection of I-75 and I-70). Per pupil spending increases when the cost of education rises. It may mean the district is doing a better job of addressing previously unmet needs, or that students’ needs changed, and the district is addressing those changes. In this district, state aid remained flat as the cost of education increased, so the district needed increased local resources.

**Figure 8**

*Education costs rise but state funding does not*

Barnesville Exempted Local: State aid does not keep up with rising costs

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**A new day for Ohio schools**

The good news is that an influx of billions of dollars in federal pandemic aid can help replenish Ohio schools. The American Rescue Plan, passed in March of 2021, will send $4.5 billion for Ohio’s schools to use by September 30, 2023. These federal funds will help address costs related to the COVID pandemic: to mitigate learning loss and to avoid cuts that would
otherwise be necessary due to lost revenue. Some of the funding can lay the groundwork for better school funding for the future.

A plan to fix the system is emerging. Teachers, education administrators and school board officials worked for the past three years to develop a fix for Ohio’s broken system of school funding. Together, they developed the “Fair School Funding Plan,” now under consideration as House Bill 1 in the Ohio General Assembly and part of the 2022-23 budget plan approved on April 21 by the Ohio House of Representatives.

The Fair School Funding Plan would base state funding on the cost of educating a student in each district.26 It would separate charter and voucher funding from the state’s formula funding system. This will eliminate the diversion of local tax dollars. Charter and voucher programs would continue to be funded through a separate line item in the state budget.

The Fair School Funding Plan is based on the actual cost of education and ends what has been essentially a zero-sum game. When fully funded, it would help nearly all public schools by boosting the average state per-pupil aid from $6,835 to $8,459, and the amount of state funding any one district receives would no longer be connected to changing circumstances in other districts. A predictable formula would create stability and certainty in planning and hiring. The funding for economically disadvantaged students would increase from $272 to $422 per student, and a study would be done to calibrate funding for students whose families have low incomes. This will help students experiencing poverty and give needed resources to schools that serve communities where poverty is concentrated. While nearly all schools will get a boost in resources, the greatest increase in state aid will go to districts where poverty is high and the cost of educating students is the greatest.27

Recommendations & conclusion

Parents, school officials and elected leaders look forward to the passage of the Fair School Funding Plan. “Today is not a moment too soon,” University Heights Mayor Michael Brennan told state officials as discussions on the plan commenced. “My community is tearing itself apart over school funding, and how to cut up the ever-smaller pie we have.”28

Pass the Fair School Funding Plan: State legislators must pass and fund the Fair School Funding Plan with enough resources to sustain Ohio’s public schools. The Fair School Funding Plan may be phased in over time, but there is no time to lose in getting a better state formula in place.

To fund education and other critical public services now and for the future, the state revenue system must be overhauled for fairness, balance and to ensure it meets all Ohioans’ needs.

26 Fair School Funding Plan at https://sites.google.com/view/ohiofairschoolfunding
27 Ohio Legislative Service Commission data cited in Fleeter, Howard, Overview of Hb 305 (Ohio Fair School Funding Plan, Fall/Winter 2020 Newsletter)
Support a better funding formula with a better state tax system: The state has underfunded public schools and other essential public services for years. Ohio lawmakers have cut state income taxes most years since 2005, and they’ve done it in such a way that it has given a huge benefit to the wealthiest Ohioans but little or no benefit to people of middle or low incomes due to increases in other taxes. They slashed taxes on corporations, too. Today profitable corporations operating in Ohio pay no state corporate profits tax on their Ohio earnings. Lawmakers have created tax breaks that drain more than $9 billion a year of state resources.

These tax cuts and tax breaks have not boosted Ohio’s job growth. Ohio’s employment growth has lagged that of the nation in most years since 2005, when state lawmakers started their 15-year trend of tax-cutting. Further, many of the new jobs that have been created fail to pay a living wage. In the year prior to the pandemic, six in 10 of Ohio’s biggest job groups paid so little that a full-time worker with a small family was eligible for, and needed, federal food aid to put dinner on the table.

The tax cuts and tax breaks hurt schools and other public services. The state and local tax system is now unfair, with low-income Ohioans paying nearly twice the share of their income in state and local taxes as the wealthiest. The inequity of the tax structure especially hurts Black and brown Ohioans.

There are ample resources in a state as productive as Ohio to provide excellent public schools in every ZIP code. Lawmakers need to overhaul the state tax structure so it is fair and sufficient and can support a good school in every locale in a manner that is fair and meets the requirements of the Ohio constitution.

State lawmakers and school district officials must spend every federal pandemic dollar that comes into the state and their districts: Many families, communities and school districts are still struggling in the pandemic recession. Federal pandemic aid will provide $4.47 billion for primary and secondary education over the next three years. This funding can be used to recover from the pandemic and help kids catch up. It can ensure schools are safe for this and future health emergencies. It’s the responsibility of local district officials to use every cent of this money to improve schools while establishing and implementing a fairly funded and distributed system of educational finance for the future. The voices of parents, students, teachers and community members must shape the use of these funds in their district and ensure they are fully used to benefit students. State lawmakers will receive $5.6 billion in flexible aid, which can and should be used to accelerate phase-in of the Fair School Funding Plan.

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31 Ibid.
ACKNOWLEDGEMENTS

We are grateful for the support of the Center on Budget and Policy Priorities, the Gund Foundation, St. Luke’s Foundation, Ford Foundation, and others whose support makes our work possible. We thank Steve Dyer, Alex Nelson, Rebecca Pulsiferr and Darold Johnson for their invaluable contribution to this report.