Why Can’t Ohio Equitably Fund Public Education?

Education Reform Stifling Equitable Education Funding

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Abstract

Ohio has a long history of school funding inequity. This manuscript provides a brief history of Ohio education funding, the equity and adequacy concerns. Education reform efforts have been expanding while the appropriate management of the funding mechanism has been underfunded or entirely ignored. The researcher examines the negative impact of certain policies and the need to readdress the funding mechanism as well as the associated policies.

Keywords: school finance, education policy, DeRolph, vouchers, charter schools, school levy

Introduction

The Ohio Supreme Court found the state of Ohio’s school funding system unconstitutional through a sequence of four separate court rulings of DeRolph v. State (1997; 2000; 2001; 2002). The decisions were based on the inequity of funding education and the state’s funding mechanism. The mechanism was deemed to not support the Ohio Constitution requiring the state to provide a “thorough and efficient” school system (Ohio Const. art. VI, § 2). Following the fourth DeRolph case, the State Supreme Court barred the trial court from further actions and ended the DeRolph litigation era (State ex rel. State of Ohio v. Lewis, 2003). The resolution of the state’s funding mechanism was left to the Ohio legislature.

DeRolph is an excellent example of an “equity suit.” There are two main types of education finance litigation: equity suits and adequacy suits (Thro & Escue, 2012). In equity suits, “the plaintiffs assert that all children are entitled to have the same amount of money spent on their education and/or that children are entitled to equal educational opportunities” (Thro & Escue, 2012, p. 773). Although the court agreed the funding mechanism was unconstitutional and inequitable, due to separation of powers the DeRolph cases resolved with a hollow victory.


[Adequacy] is more complex and polarizing than [equity] because assumptions now rely on personal values and preferences. [Equity] assumes all students are equal. [Adequacy] assumes all students are not,
thus giving value to certain characteristics. Although it is fair to say that all school finance experts agree that students are not all equal they do not agree on how to incorporate [adequacy] standards in order to provide additional resources. (Escue, 2012)

Little action has been taken to remedy the outcomes of the DeRolph decisions in close to two decades. There was a brief period in 2009 under Governor Strickland where the Evidence-Based Model (EBM) was introduced to Ohio as the new funding mechanism (Am. Sub. H.B. 1, 2009). In theory, EBM was going to significantly improve the equity within the Ohio school funding system. Two main issues impeded those outcomes. First, EBM is an expensive funding model when fully funded. EBM is designed to identify the necessary resources to adequately fund education per pupil (Odden & Picus, 2006). The glaring concern with use of the EBM model is the focus on adequacy, which is the driving force behind the model. The Ohio funding mechanism is not equitable; adding adequacy on top of equity proved to be extremely expensive for already burdened school districts and a state not willing to fully fund the endeavor.

Secondly, the state had (currently still has) other external policies that needed to be addressed at the same time as implementing EBM. The state was (and is) over-reliant on property taxes and local control. Poor districts simply did not have the revenues necessary to fund an adequacy model. It is difficult to determine if these poor districts had enough revenue to even fund an equitable model.

EBM did not survive long in the state of Ohio. Following the 2010 elections, Governor Strickland lost his seat and Governor Kasich became the new governor. This left all branches in the state of Ohio under a Republican majority. Governor Kasich immediately ended EBM and reinstated the unconstitutional funding model of the past, promising within his first year to develop a new funding mechanism that would address the DeRolph era.

Simultaneous Actions During the DeRolph Era

This researcher opines that the timings of the expansion of education reform, the lack of motivation to revamp the state funding mechanism, and the DeRolph era are not coincidental. Since 1997, the same year as the first DeRolph case, the community school (commonly known as “charter school”) movement took action through a pilot study enacted by House Bill 215 in June of that year (Ohio Department of Education, 2013b). Two months later the state Senate expanded the community school program beyond the pilot study area with Senate Bill 55 (Ohio Department of Education, 2013b). Virtually year after year the community school program was expanded and modified by Senate and House Bills, with a persistent and focused move to grow, specifically within the urban eight districts, and delve into the new frontier of schools (online charter schools) (Ohio Department of Education, 2013b; see, for example, H.B. 215, 1997; S. 55, 1997; H.B. 770, 1998; H.B. 282, 1999; H.B. 94, 2001; H.B. 3, 2003; H.B. 364, 2003; H.B. 95, 2003; H.B. 66, 2005; H.B. 79, 2005; H.B. 530, 2005; H.B. 119, 2007; H.B. 562, 2008; H.B. 59, 2013).

1 Ohio’s urban eight districts are Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown.
While community (charter) school expansion was being developed and refined since the mid-1990s, so was the expansion of Ohio scholarship programs, more commonly known as “voucher” programs. In 1995, Ohio’s first voucher program was developed in Cleveland entitled the Cleveland Scholarship and Tutoring Program (School Choice in Ohio, 2013). Shortly after this program became fully established and operational, the U.S. Supreme Court ruled in the Zelman v. Simmons-Harris (2002) case that the voucher program was constitutional. Since that ruling, Ohio has expanded the scholarship programs within the state and now has the most voucher programs in the nation: The Cleveland Scholarship and Tutoring Program, The Ohio Autism Scholarship, EdChoice Scholarship, Jon Peterson Special Needs Scholarship, and K-12 Literacy Voucher (School Choice in Ohio, 2013; H.B. 59, 2013).

At the origination of the Ohio voucher programs’ movement the emphasis was on providing choice for students that were zoned for failing schools. The state declared that these students had few options within the public education system to acquire a quality education, and the solution to this was to create vouchers allowing students to transfer public dollars into the private market to increase options of educational choice and quality. That no longer seems to be the focus as voucher expansion has grown well beyond this initial ideal of providing better educational opportunities for students in low performing schools through access to alternative schools, both public and private. Now the movement appears to align more with a mission to incorporate “universal school choice,” regardless of the performance of particular schools in the public education system.

The Current Situation in Ohio

On January 31, 2013, Governor Kasich announced his school reform and funding plan to the Buckeye Association of School Administrators (The Ohio Channel, 2015). In his presentation, Governor Kasich committed to not reducing district budgets and addressing the constitutionality of the funding mechanism. However, the proposal also included increases in charter school funding and voucher expansion (The Ohio Channel, 2015). Governor Kasich’s education reform effort was embedded in the state biennial budget H.B. 59 (2013). Following Kasich’s initial proposal, the bill was forwarded on to the House of Representatives and then to the Senate for modifications and additions. June 30, 2013 Governor Kasich signed into law H.B. 59 as the biennial budget. The budget incorporated massive provisions associated with governance, funding, Medicaid expansion, and education reform efforts. Last minute additions and tax reforms were added days before the bill was signed into law, giving little time for hearings and debates (Blackwell, 2013). What began as a 700-page biennial budget proposal from the governor quickly transformed into a biennial budget of over 5000 pages (H.B. 59, 2013). Simultaneously, school districts’ administrators slowly reacted, realizing that what initially seemed a good faith effort to financially assist public education was in fact another campaign to reform education and channel taxpayer dollars into charter schools and vouchers.

2 “Universal school choice” is a term exercised by the Friedman Foundation for Educational Choice (2015). The foundation supported the state in the Zelman v. Simmons-Harris case (536 U.S. 639 (2002)).
Governor Kasich and the Republican majority legislature have misleadingly taken credit for increasing funding to Ohio schools and redesigning the school funding formula to address the DeRolph concerns. This argument for increased funding would only be applicable if one were to ignore that the schools’ budgets were cut significantly the past two years and that the projected FY 2014 per pupil funding of $6609.50 is $72.70 more than the base student allocation for FY 2010 (Fleeter, 2013; Cuts Hurt Ohio, n.d.).

H.B. 59 created a funding category for special need students with catastrophic and expensive therapies and interventions. However, the monies were removed from the special need student line item and not supplemented with additional funds. Furthermore the state incorporated a State Share Index (SSI) to determine proportional allocation of state dollars to districts based on property valuation and median income. Because of the SSI measures, low-wealth districts proportionately pay more for special need students in comparison to higher-wealth districts. The bill also focused on preschool special education but did not include state allocation for approximately one-third of the units.

Ohio has been in the process of replicating a third grade reading model developed in the state of Florida. Ohio’s Third Grade Guarantee was modified to require retention of students if they do not meet the minimum standards for the third grade reading assessment. This mandate was slated to begin FY14. To add to the complexity, this mandate began the same year the state standards for Ohio education were converted to the Ohio’s New Learning Standards – a variation of the more commonly known Common Core Standards. This created an enormous burden on school districts as they were working to implement the new standards. Furthermore, research indicates multiple negative outcomes associated with student retention mandated by the Third Grade Guarantee.

The funding formula was redeveloped to a point; however there is no indication that outside researchers were contacted to give feedback or insight into the design. The redevelopment of the formula appears to be an “in-house” addressing of the equity concern. Although it is fair to say that the equity of the funding formula cannot yet be determined, this researcher maintains that regardless of the construct of the funding model, equity will not be possible until auxiliary policies and the push for rampant education reform are addressed.

While the additions and modifications to the Ohio funding formula contain problematic outcomes, the reform efforts embedded within the bill indicate the driving force focused on privatizing education and expanding the concept of “choice.” These reform efforts appear to have profiteering components and political agendas associated. The remainder of this paper will discuss the nuances of the expansion of charter schools and voucher programs within the state of Ohio.

Charter School Funding

What began as a $10 million dollar pilot in 1997 has now expanded into an effort that on estimate contributed $900 million dollars to the 2013 biennial budget. Money was removed from the state allocation to each district for the anticipated charter school recipients. “In, fact, there has never been a single year since 1998 when charter

deductions did not cause children staying in traditional public schools to receive less money, on average, than the state determined they needed to succeed” (Innovation Ohio, 2013, p. 2).

Table 1 describes state aid distribution and charter school deductions for the eight urban school districts. These eight school districts are struggling with high-density poverty and lower property wealth, yet the districts each lost a considerable percentage of state aid to charter schools. In fact, 35 school districts within Ohio have 16.4% or more of their state allocation deducted to fund charter schools. Seven of the urban eight school districts are included in that calculation. So, of the 614 school districts in the state of Ohio, only 28 other school districts experience this level of funding reallocation to charter schools. Further research is needed to examine this dilemma with more depth; however, it is fair to say that this appears to be disproportionate and easily highlights an inequity concern regarding the urban school district populations. This is an example demonstrating that the formula may or may not be equitable, however the lack of equity is associated with the auxiliary policies.

Table 1  
*Charter School State Aid Deductions*.

<table>
<thead>
<tr>
<th>School District</th>
<th>% Poverty</th>
<th>Estimated Deduction to charter FY14</th>
<th>Estimated State Aid FY14</th>
<th>Estimated % charter school deduction FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akron</td>
<td>83.3</td>
<td>$26,281,828.80</td>
<td>$159,800,454.41</td>
<td>16.4</td>
</tr>
<tr>
<td>Canton</td>
<td>79</td>
<td>$6,358,043.20</td>
<td>$72,032,739.34</td>
<td>8.8</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>85.4</td>
<td>$52,180,452.36</td>
<td>$150,799,976.58</td>
<td>34.6</td>
</tr>
<tr>
<td>Cleveland</td>
<td>85.7</td>
<td>$121,721,614.16</td>
<td>$415,073,765.62</td>
<td>29.3</td>
</tr>
<tr>
<td>Columbus</td>
<td>85.74</td>
<td>$103,710,928.52</td>
<td>$249,459,476.59</td>
<td>41.5</td>
</tr>
<tr>
<td>Dayton</td>
<td>83.4</td>
<td>$44,407,301.61</td>
<td>$141,130,784.35</td>
<td>31.4</td>
</tr>
<tr>
<td>Toledo</td>
<td>82.65</td>
<td>$63,677,574.34</td>
<td>$210,458,475.44</td>
<td>30.2</td>
</tr>
<tr>
<td>Youngstown</td>
<td>79.03</td>
<td>$21,624,171.73</td>
<td>$81,585,205.66</td>
<td>26.5</td>
</tr>
<tr>
<td>Total Urban</td>
<td>83.2*</td>
<td>$439,961,914.72</td>
<td>$1,480,340,877.99</td>
<td>29.7</td>
</tr>
</tbody>
</table>

*Average % poverty FY12 for all urban eight school districts

3 Data provided by the Ohio House Democratic Caucus, compiled by the Legislative Service Commission.
Furthermore, for the eight urban school districts, $439,961,914.72 was estimated to be deducted from the $1,480,340,877.99 total state aid dollars for FY14. This is approximately 30% of state aid being removed from the urban eight school districts to fund charter schools that do not demonstrate significant improvements in achievement when compared to traditional public schools. Figure 1 displays the performance ratings of the urban eight traditional schools compared to the urban eight community schools. For most of the districts the community schools underperformed in comparison to their traditional urban school counterparts (Ohio Department of Education, 2012).

There is continual discussion regarding efficiency within the funding of education, yet when examined at the microcosmic level of the Ohio urban eight, the argument of efficiency appears soft at best. It is hard to understand the rationale for shifting funding to schools that can account for almost 50% of those falling under the rating of “Academic Emergency.”

In general, preliminary results show that community schools located in the Cleveland Municipal, Columbus City and Dayton City School Districts outperformed those districts’ traditional public schools while the opposite was seen in the Akron City, Canton City, Cincinnati City, Toledo City and Youngstown City School districts, where the districts’ traditional public schools outperformed the community schools located in those districts. (Ohio Department of Education, 2012, p. 12)

Arguably, the Department of Education’s statement regarding the performance of the community schools in comparison to traditional schools is an understatement. Future research will be performed to assess and confirm this. The non-partisan think tank Innovation Ohio has found that:

90% of the money going to charters was taken from districts that perform significantly better on the state’s Performance Index and… that 40% of the money going to charters in the 2011-12 school year came from traditional school districts that better performed on both the state Report Card and the state Performance Index. (Innovation Ohio, 2013, p. 3)

Profiteering in education has become a very lucrative business. Ohio allows For-Profit management companies to work with charter schools. These for-Profits are managed by a small number of businesses that contribute heavily to political campaigns. Ohio has come under considerable criticism for the “wild west” management of charter schools. Reports of nepotism, campaign contributions, federal investigations and local taxpayer monies leaving local economies have begun to shed light on the underbelly of the mismanagement and poor accountability measures in Ohio’s charter school system. There does appear to be some movement in the legislature to address these issues however the movement is slow and at this point appearing to be less than adequate. Furthermore, the lack of transparency of the past makes appropriate policy development
Figure 1: State Rating based on 2011-2012 performance tables provided by Ohio Department of Education (2012, pp. 11-12).
somewhat challenging. It is difficult to ascertain to scope of the concerns as most of the for-profit management companies keep their records private and push back when asked to reveal business practices and information.

**Voucher Expansion**

As previously mentioned, voucher programs in Ohio increased to situate the state as the leader in voucher programs throughout the nation. Two voucher programs were modified or added in H.B. 59. The previously existing EdChoice voucher program was modified to incorporate a component for students based on income. This voucher program was implemented for FY14 and allowed for students at or below 200% the Federal Poverty Guidelines to utilize vouchers regardless of their zoned school’s performance (Ohio Department of Education, 2015). In fact, the voucher could apply to a student attending a school rated Excellent with Distinction. This legislative action supports the ideology of universal choice, regardless of school performance. Future research will determine if vouchers are in fact used by students considered low SES and if students of low SES benefit from a voucher provided education in comparison to a high performing public education.

K-3 Literacy Voucher is a newly developed voucher program that is offered to students attending “D” and “F” graded schools. This voucher is slated to begin the 2016-17 school year and is scheduled to be funded directly with local school district dollars (H.B. 59, 2013). This will be the first voucher model that will directly collect local dollars to fund the state mandated voucher expectations.

Supporters of the school choice movement in Ohio would tell you that the voucher schools must assess their students just like that of the traditional schools. What is not discussed in an acceptable manner is that although students receiving vouchers are required to take the state assessments, there is not a requirement to perform at a specific proficiency level as in traditional public schools (Ohio Department of Education, 2014).

**Tax Reform**

Ohio has given a 12.5% rollback reimbursement to taxpayers for property taxes for the past 40 years. Days before the signing of H.B. 59, the 12.5% rollback reimbursement was eliminated and now affects taxpayers on their property tax bills. This presents enormous problems for local school districts. The rollback was removed in a precarious and confusing manner. It does not apply to any levy already passed, however it will apply to all new levies. If a levy were to be renewed and had additional monies levied; all additional monies would not have the 12.5% rollback but the preexisting levy would. Ohio suffers from voter fatigue and, some could argue, a voting population that does not have a strong understanding of the education funding complexity will vote negatively on levies due to the convolution of the new mechanism. This puts an enormous burden on school districts to make sure that their communities understand the details of the rollback. Of concern is that the voters will become confused about these intricacies, and in local areas that are financially strained, levy passage will be reduced, including the passing of preexisting levies. The voter will see more monies leaving their household yet school districts will see very little increases in tax revenue.
Furthermore, levy passage is becoming even more complex as school districts are losing enrollments to vouchers and charter schools, yet neither voucher recipients nor charter schools carry the burden of campaigning for levies. School districts are compelled to present a façade of stability and fiscal awareness, yet many find that they do not have control of a large percentage of tax dollars that are instead being funneled into education reform efforts.

**Implications**

It is not clear what the legislature is planning as an end game. What will happen when local communities cannot pass levies? What will happen when students who are on IEPs are not receiving services that are required due to IDEA? At what point will certain legislators decide that reelection is not worth gambling with taxpayer money and Ohio’s future? All these questions currently remain unanswered. Recently Gov. Kasich released his biennial proposal for 2015. It will be interesting to examine any changes in policy as the budget is finalized through committees and legislative votes. Ohio’s administration owes superintendents, taxpayers, and educators answers.

In the interim it is clear that educators, taxpayers, and parents cannot quietly wait for the legislative process to organically evolve in an effective way. As has been seen with recent efforts taken by parents to Opt-out of tests this same type of advocacy initiative is proposed to stabilize the seemingly erratic and underfunded current education system. Based on the current state of the affairs in Ohio, a recommendation of building advocacy groups to inform the public and to communicate with legislators both within the district and in the capitol. It has become increasingly important for school administrators and educators to recognize that their role in these discussions and to participate.

**Summary and Conclusions**

The state of Ohio suffers from an unconstitutional funding system that is approaching a two-decade anniversary. Instead of legislating appropriate modifications to address these inequities, the legislators have tangentially redirected their attention to reform education through privatization and “choice.” According to Julie Mead at the Educational Leadership and Policy Analysis Center at the University of Wisconsin, school vouchers were intended to improve student outcomes yet the research does not indicate that they do, as of now, 20 years after the initiative. This researcher opines that the performance of charter schools and, more specifically, for-profit schools validates this same belief, as well as underlines the side effects of profiteering at children’s expense.
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