



## Education

### 2022-23 budget review: K-12 education

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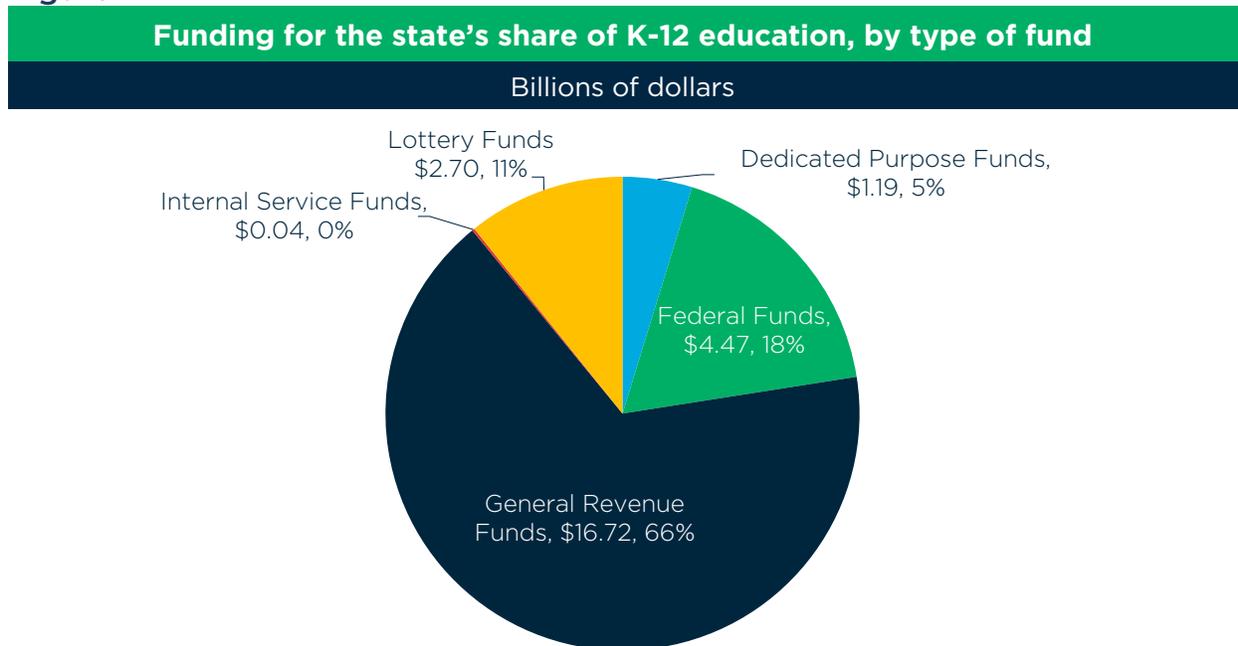
**Policy Matters Ohio priorities:** *Ensure an excellent school in every ZIP code.*

**Recommendation:** *Fully fund K-12 education equitably and sufficiently to ensure a great public school in every zip code.*

**Progress:** *Lawmakers included the Fair School Funding Plan in the budget but fully enacting it will take six years. Lawmakers only provided partial funding to implement the formula and made no commitment to a long term phase-in.*

In Ohio, K-12 education encompasses the largest share of the state budget. Figure 1, below, shows the sources of funding for K-12 education in the 2022-23 state budget. Overall, state dollars provide less than half of total funding for primary and secondary education in Ohio. Lawmakers appropriate General Revenue Funds (GRF), as well as lottery funds, federal funds, and several dedicated funds, for primary and secondary education.

Figure 1



Source: Policy Matters Ohio based on Ohio Legislative Budget Office Budget in Detail Appropriation Spreadsheet (with 2021 actuals, 2021 actuals)

The school funding system consists of 609 public school districts, 49 joint vocational school districts and around 325 charter (“community”) schools and Science, Technology, Engineering, and Mathematics (STEM) schools. An estimated 1.7 million students attend Ohio’s schools.<sup>1</sup> Most of them attend the public school system.<sup>2</sup>

## K-12 Education in the budget

For fiscal year (FY) 2022 lawmakers provide \$12.5 billion and in 2023, \$12.7 billion, for an overall increase of \$1.7 billion (7.1% more than in the last biennial budget). Appropriations from the General Revenue Fund makes up 66% of funding for the current biennium.

The most important part of school funding in the state budget supports the 609 school districts. This is called “foundation funding.” The foundation funds appropriated under the bill total \$9.2 billion in FY 2022 and \$9.4 billion in FY 2023, for a total of \$18.6 billion over the two-year budget period, about \$1 billion more than comparable line items in the 2020-21 budget. The increase is 6.3%, which is greater than the projected rise in inflation, but it includes full state funding for charter schools and vouchers as the state picks up the bill previously paid out of local levy dollars for these private and non-profit schools.

Lawmakers appropriated 79.1% of the foundation funding to traditional school districts and another 3.8% for joint vocational school districts. Charter schools will be allotted 9.9%. Scholarships (vouchers) receive 7.1% of all foundation aid funding.<sup>3</sup>

One of the most noteworthy aspects of K-12 funding in the current budget is the transformation of how schools are funded. The Ohio Supreme Court found the school funding formula to be unfair and unconstitutional 24 years ago because it did not equally fund a *thorough and efficient* education for all students in the state, as the state constitution demands.<sup>4</sup> It failed to do so because of a reliance on local resources — namely, a reliance on local property taxes. In wealthy communities, high property values generated revenues needed to provide students with more resources for cutting-edge technology, advanced classes, and extracurricular activities; the opposite was true in poor communities. Over the years, state lawmakers tried many approaches to funding schools. Under Gov. Ted Strickland, lawmakers enacted an equitable funding formula, but it was not fully funded. Instead of phasing in full funding the next governor abolished it and went back to a system of funding schools that ultimately proved detrimental to virtually all districts. In recent years they abandoned any attempt to fix the system, simply freezing the 2019 funding in place.

The long-debated Fair School Funding Plan has the promise to fix unfair funding over a six-year phase-in period. Lawmakers enacted the first two years of that phase-in with the 2022-23 budget. The primary change is an overhaul of the way the state calculates local costs and local capacity to pay for those costs.

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<sup>1</sup> Redmond, D., Ciolli, N., & Darnell, S. (2021). Greenbook LBO Analysis of Enacted Budget. Legislative Service Commission.

<sup>2</sup> Ohio Dept of Education at <http://education.ohio.gov/Topics/Data/Frequently-Requested-Data/Enrollment-Data>

<sup>3</sup> Redmond, D., Ciolli, N., & Darnell, S. (2021). Greenbook LBO Analysis of Enacted Budget. Legislative Service Commission.

<sup>4</sup> Education Law Center at <https://edlawcenter.org/litigation/states/ohio.html>

First, the cost will be calculated based on the actual cost of education in each district. The per-pupil “formula amount” provided by the state (currently, \$6,020) will be replaced, based instead on the actual costs of each district. Administrators will base the amount each district receives on the cost of instruction, including costs of teacher salaries and benefits and related classroom expenses; student support (such as nurses, social workers, and related costs); and other costs of running the school district. While each district’s state support will be unique, the Legislative Budget Office estimates that on a statewide basis, the average per-pupil state aid will rise to \$7,202. Quite simply, the Fair School Funding Plan will – when fully phased in – provide sufficient funding for a thorough and efficient education in each district, as required by the state constitution.

Second, each community’s ability to pay for the cost of education will be measured differently. Under the Fair School Funding Plan, the local share will be evaluated based on both property values and income – a more equitable evaluation of need.

There are two other key reasons why the Fair School Funding Plan is good for Ohio children, families, and communities. The plan puts more money in public school system, which lawmakers have allowed to be eroded by inflation in recent years. Also, the state will take over full funding of charter (“community”) schools and private school tuition vouchers. In prior years, funds for these programs had been drawn in part from local levy dollars, taking and redirecting resources passed by the voters for public schools.

The overhaul will fix four failures of the old formula:<sup>5</sup> 1. it provides aid based on actual costs of education in each district. 2. It measures local funding capacity more equitably, ensuring that more dollars go to schools serving high-needs students. 3. The promise is that once it’s fully phased in, the plan will eliminate the caps on aid for some districts and guarantees for others, so each district gets a fair share of what its needs. 4. With full state funding, dollars from local levies will not be redirected to private and charter schools.

The new formula is only partially phased-in, starting at 16.67% for FY 2022 and 33.33% for FY 2023. Lawmakers chose to phase in even more slowly an important component of funding – aid based on number of economically disadvantaged students: 0% for FY 2022 and 14% for FY 2023. Lawmakers did not commit to a long-term implementation of the new formula. Some said they could not commit future General Assemblies to this, even as they committed future General Assemblies to costly tax giveaways.

## **Charter and voucher expansion**

In addition to the changes in to how the state funds charter (“community”) schools and vouchers, lawmakers made changes to where charter schools may be located (anywhere, instead of restricted to districts with poor outcomes) and the EdChoice scholarship (voucher) program. Lawmakers eliminated the cap of 60,000 such scholarships and ended the requirement that they are given only to students in “challenged” districts. Overall scholarship funding is estimated at \$635 million in 2022, up by more than \$200 million, with a maximum

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<sup>5</sup> Patton, Wendy, “All In for Ohio’s Kids,” Policy Matters Ohio, April 2021 at <https://www.policymattersohio.org/research-policy/quality-ohio/education-training/k-12-education/all-in-for-ohio-kids>

scholarship of \$7,500 per pupil (higher than the average per-pupil amount for public schools).<sup>6</sup> Other changes include:

- Lawmakers prohibited the automatic closure of charter schools based on any report card rating issued prior to the 2022-2023 school year.
- They expanded qualifications for certain EdChoice scholarships, including qualifying high school students not enrolled in public school; siblings; students in foster or kinship care or another placement, and students who received but no longer qualify for the autism or Jon Peterson scholarship.
- They phased out the requirement that students generally must be enrolled in either a school operated by their resident district or a charter (“community”) school to get a voucher.
- They used federal funds to establish the Afterschool Child Enrichment (ACE) Educational Savings Account Program to provide eligible students with an educational savings account for FY 2022 or FY 2023. The account can contain up to \$500 to be used for prescribed secular or nonsecular purposes.
- They appropriated \$90.8 million for charter (“community”) school facilities.
- They enacted several tax breaks for families who home school or send their children to private schools, including a tax credit for private donations to a scholarship fund for private schools that could cost the state \$101 million over the biennium.<sup>7</sup>

The great opportunity in the 2022-23 budget is the new Fair School Funding Plan, which promises a more adequate and equitable system of school finance in the future. The voices of parents, students, teachers, school administrators and community leaders helped put that in place. They also pushed the state to directly fund vouchers and charter schools, which had been draining the local resources of local public-school levies.

There are risks, too. Most importantly, the Fair School Funding Plan is only one-third funded, and lawmakers did not commit to full enactment. Lawmakers also increased support for the expensive parallel education system of private and charter schools, which drain substantial resources from public schools without producing superior results.<sup>8</sup>

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<sup>6</sup> Redmond, Dan, Nick Ciolli, Sarah Anstaett, Redbook for the Ohio Department of Education, The Ohio Legislative Budget Office, February 2021 at <https://bit.ly/2XDBBRE>

<sup>7</sup> Impact of Enacted House Bill 110 (FY 2022-2023 state operating budget), Estimates by Ohio Dept of Taxation, Op. Cit.

<sup>8</sup> Longberg, Max (Cincinnati Enquirer), Investigation: Meager results for Ohio vouchers after spending \$250 million, Akron Beacon Journal, August 24, 2020 at <https://bit.ly/3DpOivB>; see also Wherman, Jessica, “National report cites Ohio as an example of larger problems in charter schools, Columbus Dispatch, March 2019 at <https://bit.ly/3A2CVlm>