

K-12 Education

Funding down, privatization increases

Current budget

In 2011, the Ohio General Assembly passed, and the governor signed, a budget for the current biennium (FY 2012-13) that included \$1.8 billion less in overall funding for K-12 education than the previous two-year budget. Table 1 shows how and where the biggest changes occurred – the state’s seizure of \$1.1 billion in tax reimbursements that would normally have gone to school districts, and the loss of \$875 million in federal fiscal stabilization funds that were distributed to Ohio in FY 2010 and 2011. The only funding streams that directed more money to schools in the current biennium were the General Revenue Fund and the General Services Fund. The latter increase was due primarily to the doubling, to \$50 million from \$25 million, of the School District Solvency Assistance Fund.

| | FY 2010-11 | FY 2012-13 | Change | Percent change |
|-------------------------------------|-----------------|-----------------|-----------------|----------------|
| General Revenue (state) | \$14,648 | \$15,168 | \$520 | 3.6 |
| General Revenue (SFSF) ^a | \$875 | \$0 | -\$875 | -100 |
| General Services ^b | \$50.6 | \$83.2 | \$32.5 | 64.2 |
| Federal ^c | \$4,592 | \$4,262 | -\$330 | -7.2 |
| State Special Revenue | \$97.7 | \$110 | \$12.5 | 12.8 |
| Lottery Profit Education | \$1,456 | \$1,398 | -\$58 | -4 |
| Revenue Distribution | \$2,363 | \$1,261 | -\$1,102 | -\$46.6 |
| Totals | \$24,082 | \$22,282 | -\$1,799 | -7.5 |

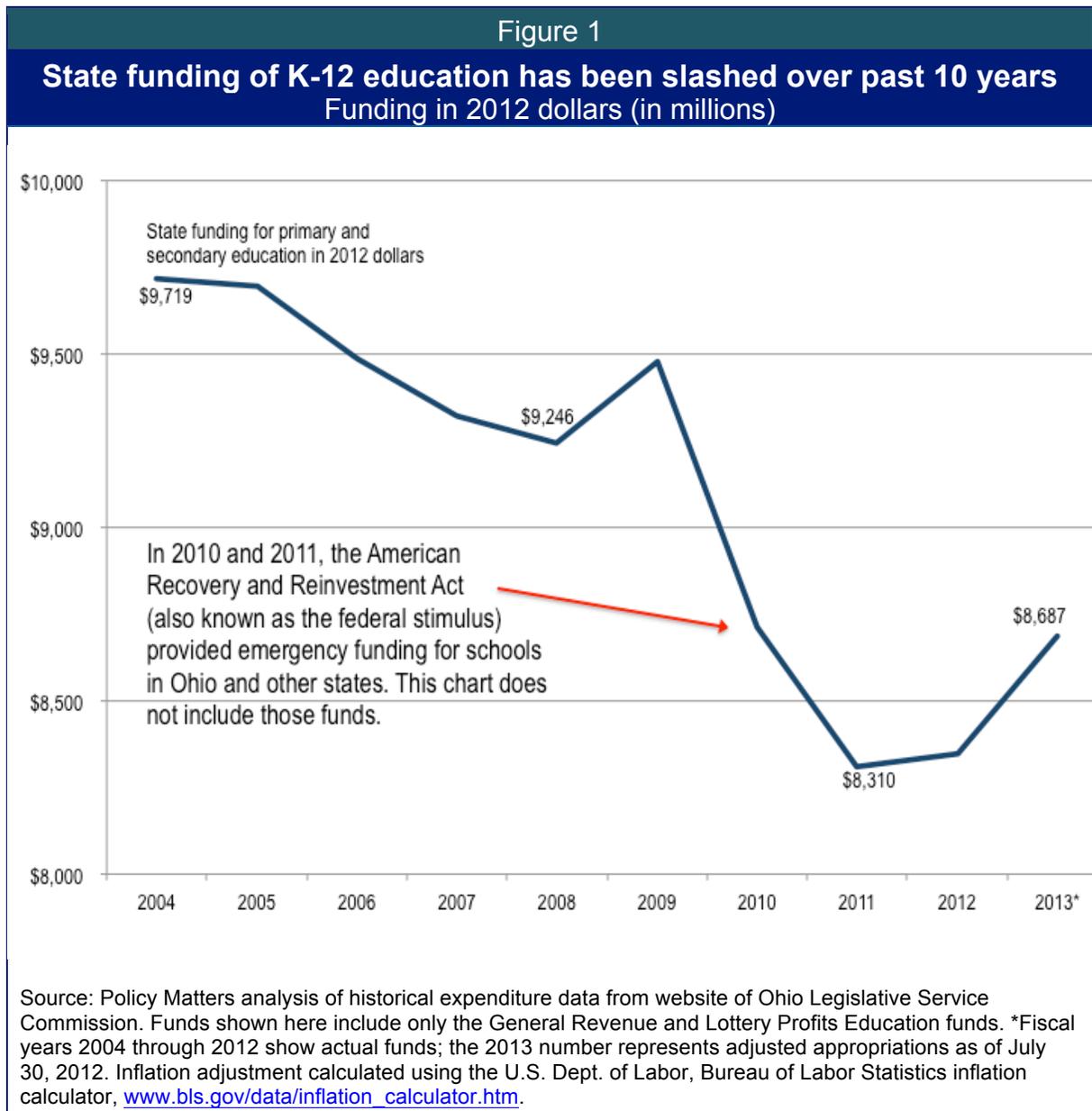
Source: Policy Matters based on Ohio Legislative Service Commission “Budget in Detail” (as enacted) for the 129th General Assembly. ^a State Fiscal Stabilization Fund, American Recovery and Reinvestment Act dollars used to fill budget holes and aid schools, districts during the recession. ^b Increase is due primarily to a doubling, from \$25 million to \$50 million over the biennium, of the School District Solvency Assistance Fund, line item 200687. ^c Includes poverty & special ed funding, as well as other programs; much of the decrease results from loss of federal stimulus funds specific to Title I poverty & special education after FY2012. Includes the Education Jobs Fund, which has awarded over \$359 million to Ohio for FY11 and 12; documents available on the ODE website show about \$68 million was disbursed in FY11, leaving just over \$290 million for FY12.

Since that budget was enacted, two federal programs have injected new money into Ohio that is not included in Table 4. The federal Education Jobs Fund was created to pay salaries and benefits, and to rehire, retain or hire employees at schools across the country; it has awarded \$366 million to schools in Ohio, of which nearly \$360 million has been disbursed.¹ Most of that money came to Ohio during the current biennium. The federal Race to the Top program, targeted to schools and districts that proposed changes in line with Obama administration priorities, has brought into the state about \$172

million during the current biennium, compared to just under \$13 million in FY 2011, the second year of the last biennium.² At the same time, state revenue streams have been adjusted over time from appropriated to actual amounts, which means the state is on track to spend about \$1.5 billion less on K-12 education during the current biennium than it spent during the previous one.

Funding drops over decade

Figure 1 shows that, adjusted for inflation, annual state funding for primary and secondary education in Ohio has dropped more than a billion dollars over a 10-year period, to less than \$8.7 billion in FY13 from \$9.7 billion in FY04. As noted, Figure 1 does not include federal stimulus funding.



Privatization directs money away from districts

Even as K-12 education – districts, charters, and voucher programs - has gotten less funding through the state budget, the state continued to expand privatization, directing increasing amounts of money away from school districts toward privately operated charters and voucher schools. Some increasing funding is due to rising enrollment in charters, but as Table 2 shows, year-to-year increases in the deduction of funds from school districts have either outstripped or stayed roughly on track with enrollment increases. Over the 10-year period beginning in FY 2003, charter school enrollment has increased 262 percent, while funding for charters has increased more than 500 percent over that time.

| Fiscal year | Enrollment | Percent increase from previous year | Deductions | Percent increase from previous year |
|---|------------|-------------------------------------|------------|-------------------------------------|
| 2003 | 29,939 | - | \$126.1 | - |
| 2004 | 47,101 | 57.3 | \$297.9 | 136.2 |
| 2005 | 62,561 | 32.8 | \$424.3 | 42.4 |
| 2006 | 72,064 | 15.2 | \$483.9 | 14 |
| 2007 | 76,932 | 6.8 | \$530.8 | 9.7 |
| 2008 | 82,643 | 7.4 | \$588.5 | 10.9 |
| 2009 | 88,536 | 7.1 | \$652.9 | 10.9 |
| 2010 | 93,623 | 5.7 | \$680.4 | 4.2 |
| 2011 | 99,658 | 6.4 | \$721.1 | 6 |
| 2012 | 108,239 | 8.6 | \$774.9 | 7.5 |
| 2013 | na | na | \$810.9 | 4.6 |
| Percentage increase 2003 to 2012 | | 262% | | 515% |

Source: Analysis by Policy Matters of data in Community Schools Annual Report, Ohio Department of Education. na - Enrollment data for FY 2013 not available on ODE website.

Policy makers have increased voucher spending as well. HB 153, the budget bill signed in 2011, created a new voucher worth up to \$20,000 that families of special needs children can use at state-approved private providers beginning this school year.³ The budget bill also increased the voucher amount for the Cleveland program, to a maximum of \$5,000 for high school and \$4,250 for grades K-8, from \$3,450 for all grades.⁴ HB 153 expanded the number of vouchers available through the statewide EdChoice program to 60,000, although FY 2013 enrollment remains much lower at about 15,968.⁵ Ohio's autism voucher program, which provides up to \$20,000 a year to use with private providers, began in FY 2004 and has been used by more than 2,000 families.⁶

Together, the amount of money directed to charter schools and voucher programs in Ohio is approaching \$1 billion a year deducted from school district funds. In FY 2011, for example, charter schools saw about \$720 million and voucher programs got a total of more than \$100 million.⁷ The Ohio Department of Education (ODE) reports that in FY 2012, \$774 million was allocated to charter schools and at least \$86 million for vouchers.⁸ This reflects a growth of about 5 percent in privatized

school funding in a year that overall funding plunged. ODE figures show at least \$950 million will be spent on charters and vouchers in Ohio in FY 2013.⁹

New school funding plan

When Gov. John Kasich took office, he eliminated the Evidence-Based Model for school funding put in place by his predecessor, Ted Strickland. Since then, the state has been operating without a permanent funding formula. Kasich has said he will introduce a new system with his biennial budget for fiscal years 2014-15.

News reports suggest some elements that may be part of the governor's plan, including an approach that has funding follow children whether they attend traditional district schools, charters or private schools.¹⁰ Given the state's decidedly mixed track record on privatization – with 40 percent of charters in Academic Emergency or Academic Watch and voucher schools faring worse in many cases than district schools – policy makers should restore full funding for public schools before even considering providing more public dollars for Ohio's privately run schools.¹¹

Media stories also have highlighted a possible shift to “outcome-based” funding for schools “focusing on student outcomes and less on prescribing resources or requirements such as class size” and “rewarding schools and teachers when students succeed.”¹² While a meaningful evaluation of the governor's plans won't be possible until they are made public, it is concerning that funding may be tied to current accountability systems, based as they are on standardized tests that correlate closely with income levels. It is encouraging that reports include a focus on providing additional funding for children who may be more expensive to educate, such as those who come from low-income families or who have special needs.¹³

It seems likely that there will be little or no increase in funding for Ohio's public schools, especially with the governor's desire to cut taxes again. The on-the-ground impact of the governor's school-funding proposal – and the General Assembly's response to it – won't become clear for some time, but early indications hold little promise for a system that provides equal opportunity for all of Ohio's young people. Regardless of funding levels, that must be a key goal for all policy makers.

Recommendations

Our education recommendations include:

- Restore cuts that have caused local school districts to cut staff and course offerings, increase class sizes, and implement pay-to-play for extracurricular activities;
- Institute a fair, adequate and equitable funding formula for schools;
- Apply high standards to charter schools, keeping ineffective schools from opening and closing those that fail their students. Make sure charters become part of a stronger K-12 education system in Ohio, not a means to dismantle it.

Endnotes

¹ Education Jobs Fund, Jobs Awarded by state, retrieved at <http://www.educationjobsfund.gov/Pages/home.aspx>.

² Ohio Legislative Service Commission “Budget in Detail” updated with 2011 and 2012 actual expenditures.

³ Jon Peterson Special Needs Scholarship Program, on the ODE website at <http://bit.ly/SLAleb>.

⁴ Cleveland Scholarship and Tutoring Program on the ODE website at <http://bit.ly/U1LICm>.

⁵ Email from Sue Cosmo, Ohio Dept. of Education, number of students who have accepted voucher award.

⁶ School Choice Ohio at http://www.schoio.org/SCO_forParents.html#ASP.

⁷ Higgs, Robert. “Funding for school vouchers doubled in new state budget,” Politifact, 7/26/2011, *The Plain Dealer*, at <http://www.politifact.com/ohio/promises/kasich-o-meter/promise/782/promote-school-choice/>.

⁸ From school settlement reports, Ohio Department of Education.

⁹ Ibid.

¹⁰ Marshall, Aaron, “Gov. Kasich’s new state budget on the horizon; ‘sweeping’ tax reform planned,” *the Plain Dealer*, January 14, 2013. Retrieved at <http://bit.ly/VhUoiF>.

¹¹ For an analysis on voucher schools, see Ott, Thomas, “Cleveland students hold their own with voucher students on state tests,” *The Plain Dealer*, February 22, 2011. Retrieved at <http://bit.ly/fpHM0F>.

¹² Candisky, Catherine. “Kasich’s turn for school reform,” *The Columbus Dispatch*, January 13, 2013. Retrieved at www.dispatch.com/content/stories/local/2013/01/13/kasichs-turn-for-school-reform.html.

¹³ Ibid.