

LWV Ohio Statehouse Day – April 9, 2014
LWVO Lobbyist Report
Primary and Secondary Education
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A Constitutional System for Funding Schools

Message: LWVO supports continued efforts to secure a constitutional system for funding Ohio's public schools in accordance with the steps outlined in the DeRolph decisions of the Ohio Supreme Court. The decisions require that Ohio's system for funding schools provide sufficient resources to support a general education of high quality; provide sufficient resources to meet the learning needs of students, including students with special needs, gifted, disadvantaged, and learning English; and rely less on property taxes.

Background: Governor John Kasich signed into law on June 30, 2013 Am. Sub. HB59 (Amstutz), the \$61.9 billion state budget for FY14 & 15. The good news is that overall GRF appropriations for K-12 education increased from \$7.6 billion in FY13 (last biennial budget) to \$7.9 billion in FY14 and \$8.3 billion in FY15, and an actual formula was developed to distribute state Foundation Aid. At the height of the recession in 2011 (FY12 & 13 budget) lawmakers reduced state aid to schools by over a billion dollars and did not even bother to create a formula.¹

Although HB59 provides approximately \$831 million more for schools in FY14 & FY15 when compared to FY13, State Foundation Aid and Tangible Personal Property Tax payments are still \$607 million below FY10-11 levels.²

Stephen Dyer of Innovation Ohio reports that to make-up for this deficit school districts are trying to pass more levies and income taxes for schools. His analysis shows that between May 2011 and November 2013 school districts requested \$1.6 billion in new operating levies and income taxes for schools, compared to \$1.2 billion in school ballot issues between 2008-10.³ The reliance on local taxes to fund schools would increase if all of these ballot issues were approved, contrary to the recommendations in the DeRolph school funding decisions.

There are other problems with Ohio's new school funding system. Over 500 districts in FY14 and over 400 districts in FY15 are either on the funding guarantee or their state aid is capped. This means that out of 613 school districts, most are not receiving the amount of state aid calculated through the new formula. School districts on the cap, for example, would have received \$1.3 billion more in state aid if there were no cap.⁴

While poor rural, rural, and urban districts receive on average higher state aid per pupil than wealthy districts, the formula still increases Foundation Aid by 14.2 percent for wealthy suburban districts compared to an 8 percent increase for poor rural school districts, raising questions about the equity of the new system.⁵

And, no progress was made during the budget debates to convince lawmakers that they should engage in a process to identify the cost of a quality education, and develop a more realistic per pupil formula amount to determine state aid.

¹ Fleeter, Howard. (July 8, 2013) Analysis of FY14-15 School Funding Formula, Education Tax Policy Institute, p.1 at <http://www.etpi-ohio.org/research-reports>.

² Ibid.

³ Dyer, Stephen (October 21, 2013) Budget cuts lead to 1.6 billion in new school money on Ohio ballots, Innovation Ohio at <http://innovationohio.org/2013/10/21/budget-cuts-lead-to-1-6-billion-in-new-school-money-on-ohio-ballots/>

⁴ Fleeter, Howard. (July 8, 2013) Analysis of FY14-15 School Funding Formula, Education Tax Policy Institute at <http://www.etpi-ohio.org/research-reports>.

⁵ Fleeter, Howard. (July 8, 2013) Analysis of FY14-15 School Funding Formula, Education Tax Policy Institute at <http://www.etpi-ohio.org/research-reports>.

Public Money for Public Schools

Message: The LWVO opposes taxpayer support for students attending private schools; the increases in state auxiliary service funds and administrative funds for nonpublic schools included in HB59; and HB158 (Brenner/Patmon), which would provide tax credits for donations to nonprofit entities providing scholarships to low-income students enrolled in nonpublic schools.

The League believes that public money should be spent only on public schools, which are accountable and responsive to the public through elected boards of education, and all chartered schools should comply with the same standards.

Background:

Voucher Programs: Starting in 1996 Ohio lawmakers have approved several programs that provide public funds to parents to pay for tuition at private schools. In all but one of these programs the tuition is deducted from the state aid account of the student's resident school district. In FY13 \$149⁶ million was transferred from public schools to private schools, and approximately 26,000 students participated in the various programs.⁷ If 65 percent or more of students in a nonpublic school participate in the voucher program, the school is required to administer state assessments. Parents of students not receiving a voucher can opt their student out. Private schools are also not rated as part of Ohio's state accountability system for schools.

School Voucher Programs in Ohio

- Cleveland Scholarship and Tutoring Program (1996)
- Autism Scholarship Program (2004),
- Educational Choice Scholarship Program (2006)
- Jon Peterson Special Needs Scholarship Program (2012)
- Education Choice for Low Income Students (2013 - HB59 Biennial Budget) This program is limited to 2000 students in FY14 and 4000 students in FY15, and is funded by state lottery profits.
- EdChoice Literacy Expansion (Approved in HB59 in 2013, but does not go into effect until the 2016-17 school year.) This program provides a scholarship for students who are enrolled in Kindergarten through third grade in a district-operated school that has received a grade of "D" or "F" in "making progress in improving K-3 literacy" on two of the three most recent state report cards, and has not received an "A" in "making progress in improving K-3 literacy" on the most recent report card issued.

Tax Credits: HB158 (Brenner/Patmon) would provide a nonrefundable tax credit against state taxes or certain business taxes for individuals or businesses that donate to an approved nonpublic education organization that provides scholarships to students from low-income families to attend private schools. The total amount of the credits is limited to \$20 million in FY2014, but the bill increases the limit in future years. The House Education Committee, chaired by Representative Stebelton, has received testimony on this bill.

The expansion of voucher programs and the tax credit proposal in HB158 not only divert more public funds from strengthening and improving "a system of common schools", at a time when public schools are struggling to balance budgets, but also impact the role of the community regarding the education of children.

The purpose of public education is to prepare youth for higher education, careers, and citizenship in our democracy. Public education is a community endeavor, and the interests of the community are represented through an elected board of education, which governs public schools. In return for receiving a public education, an educated citizenry contributes to the well being of the entire community.

⁶ Ohio Department of Education, Scholarship Historical Information at <http://education.ohio.gov/Topics/Other-Resources/Scholarships/Historical-Information>

⁷ Smith, Jay (December 13, 2013) Ohio School Choice Expansion, Ohio School Boards Association at <http://www.ohioschoolboards.org/sites/default/files/Smith.pdf>

The relationship between the community and the public schools is compromised when public funds are used to support private education interests. Private schools have different missions and purposes than public schools. Some private schools were created to support a particular religion or culture. Private schools are not accountable to the taxpayers through elected boards of education; can select the students they want to educate, thus increasing segregation and stratification of the society; and are not required to comply with the same standards as public schools. Using tax dollars to support private education diminished resources for public education and undermines the very purpose of public education.

Proponents of state funding for private schools say that students and parents need more education choices to meet student needs. But, the Ohio Constitution does not guarantee parents a “choice” in schools. It does, however, direct the General Assembly to provide “...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.” (*The Ohio Constitution 6.02.*)

Charter Schools

Message: The LWVO urges lawmakers to require charter schools to be more accountable and responsive to taxpayers through elected boards of education; implement a transparent funding system for charter schools and eliminate funding through a deduction from public school districts’ state aid; and require charter schools to comply with the same standards as traditional public schools, such as operating standards, teacher licensure standards, teacher evaluations, a required curriculum, etc.

The League is encouraged that State Auditor David Yost has launched audits of some charter school sponsors, and looks forward to the results, which could lead to a more stable, accountable, and quality charter-school system.

Background: The LWVO does not have a specific position regarding privately operated, but publicly funded charter schools, which are called community schools in Ohio. The LWVO relies on mainly two positions to inform our opinion when reviewing legislation or policies regarding charter schools: the requirement that all chartered schools comply with the same standards, and the requirement that the state funding system for schools be accountable and responsive to taxpayers, and that public funds only be used for public schools.

According to Policy Matters Ohio, “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 the same period.”⁸

In FY13 charter and STEM schools received \$829 million in state aid and served about 115,000 students, which is 6.5 percent of Ohio students.⁹

HB59, the biennial budget, increases basic aid to school districts and charter schools to \$5,745 in FY14 and \$5,800 in FY15, and provides additional state aid for students based on need and for other educational expenses, such as transportation. (E-Schools do not receive all categories of state aid.)

Charter school students are counted in the enrollment of their resident school districts, and then an amount per student is deducted from the total state aid that the resident school districts receive. That deduction is then transferred to charter schools.

While HB59 adjusts the state aid formula for school districts by the state share index (which replaces the

⁸ Policy Matters Ohio. A Budget that Works. K-12 Education Lost Funding, Faced Increased Privatization. Retrieved February 7, 2013 at <http://www.policymattersohio.org/budget-k12-education-jan2013>

⁹ Ohio Department of Education (July 2013) Community School Summary Report at <http://odevax.ode.state.oh.us/htbin/F2013-COMMUNITY-SETTLEMENT.COM?act=F2013+Final+Vers.+1&irn=011470&district=999999&summary=y>

charge-off) to compensate for local wealth, charter schools receive the full amount of state aid, and unlike school districts, charter schools are not subject to the formula cap. HB59 also includes an additional \$100 per student for charter schools for facilities.

As a result of the increases in state aid, the average amount of state aid per student in FY14 for charter schools is estimated to be \$7,251, compared to \$3,910 per student for traditional public schools. State funding for charter schools in FY14 is projected to reach over \$900 million.¹⁰ While these figures are statewide averages, some school districts transfer up to 30, 40 and even 60 percent of State Foundation Aid to charter schools. For FY12 Columbus City Schools transferred \$50 million to charter schools.¹¹

HB59 now allows the Ohio Department of Education to place some charter school sponsors on probation, rather than terminating their contracts, for not meeting requirements or following the law, but overall charter schools are still not accountable or responsive to taxpayers or communities.

Recent investigative reports in the *Plain Dealer*, *Columbus Dispatch*, *Channel 10 Columbus*, and other Ohio papers have identified a number of problems plaguing Ohio's charter school industry, including conflicts of interest, misappropriation of funds, unrecoverable funds, and an unprecedented number of school closures.¹² Policy Matters Ohio identified in January 2013 how some charter schools avoided being closed by changing their names and taking advantage of other loopholes in the law.¹³ One charter school management company, White Hat LLC, is fighting in the courts to prevent the governing boards of some ten schools that it formerly managed from receiving financial information about how White Hat spent state funds allocated to the schools. White Hat also claims that the equipment, books, furniture, computers, etc. purchased with state funds for those schools does not belong to the public.¹⁴

LWVO is encouraged that State Auditor David Yost has initiated an audit of three charter school sponsors, St. Aloysius Orphanage in Cincinnati, the North Central Ohio Educational Service Center, and the Warren County Educational Service Center, and the Ohio Department of Education's Office of Community Schools. However, Auditor Yost should be encouraged to review all sponsors, management companies, and charter school governing boards, to ensure that all of these entities are complying with charter school laws, Open Meetings Laws, and Sunshine Laws. The LWVO looks forward to the conclusion of the audit, which should include recommendations to improve the stability, accountability, and quality of charter schools in Ohio.

¹⁰ Phillis, Bill (January 14, 2014) Charter schools slice of public common school funds got thicker in FY 2014, Ohio Coalition for Equity and Adequacy at <http://www.ohiocoalition.org/listings.php?category=machining&listing=1>

¹¹ Dyer, Stephen (February 2013) Unfair Funding: How Charter Schools Win & Traditional Schools Lose, Innovation Ohio at <http://innovationohio.org/2013/02/14/report-unfair-funding-how-charter-schools-win-traditional-schools-lose/>

¹² See Columbus Dispatch (February 12, 2014) Yost Investigates Charter Sponsors at http://www.dispatch.com/content/stories/local/2014/02/12/Yost_investigates_charter_sponsors.html

See Channel 10 Columbus (February 3, 2013) Millions of Dollars Owed to State By Failed Charter Schools at http://www.dispatch.com/content/stories/local/2014/02/12/Yost_investigates_charter_sponsors.html

See Plain Dealer (March 3, 2014) Cleveland and Columbus Charter School Concerns will be Taken On By Upcoming Bills in the Legislature at http://www.cleveland.com/metro/index.ssf/2014/03/post_223.html

¹³ Depaoli, Jennifer and Piet van Lier (January 9, 2013) Avoiding Accountability: How Charter Operators Evade Ohio's Automatic Closure Law, Policy Matters Ohio at <http://www.policymattersohio.org/charters-jan2013>

¹⁴ Bush, Bill (January 4, 2014) Charter Schools Ask Justices to Rule on White Hat, Columbus Dispatch at <http://www.dispatch.com/content/stories/local/2014/01/04/charters-ask-justices-to-rule-on-white-hat.html>