

**League of Women Voters Ohio
Statehouse Day
Primary and Secondary Education
Joan Platz, Education Specialist
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1) 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.

The League supports several funding provisions in Governor Kasich's Executive Budget HB64 (Smith). These include the proposed increases in state aid per pupil and increases in state support for special education, career technical education, K-3 literacy aid, and early childhood education programs.

The League also supports the principle underlining Governor Kasich's proposed school funding formula: to create a more equitable school funding system by directing state aid based on the capacity of local districts and their communities to raise local funding. This is a worthy goal.

However, the changes in the formula proposed in the Executive Budget lead to an estimated 323 out of 612 school districts receiving less state aid next year,¹ which raises questions about the workability of the formula.

And, after adjustments for a one percent cut in the guarantee and the restart of the phase-out of the reimbursement for the loss of tangible personal property tax and kilowatt hour tax revenue, the amount of new money in the General Revenue Fund for primary and secondary education is reduced from \$746.9 million to \$459 million for the biennium.² This is happening at the same time that the Office of Budget and Management and the Legislative Service Commission are estimating a state budget surplus of almost \$1 billion (\$970.4 million) by the end of this fiscal year.³

Lawmakers should adjust the proposed formulas and funding levels to ensure that schools/districts have sufficient **state aid** to support a high quality education for all students, and reduce reliance on property taxes to fund schools.

¹Fleeter, Howard. "Initial Summary of FY16-17 Proposed School Funding Changes", Ohio Education Policy Institute, February 4, 2015. p.3.

² Siegel, Jim, "Latest Ohio Schools Funding Formula Questioned", Columbus Dispatch, March 6, 2015 at <http://www.dispatch.com/content/stories/local/2015/03/06/latest-funding-formula-questioned.html>

³ Keen, Tim, Testimony of Director Timothy Keen, Office of Budget and Management, House Finance Committee, February 3, 2015, p. 43

According to Terry Thomas in *State Budgeting Matters*, “...it could be argued that in good economic times, there should not be more “losers” than “winners,” as there would be under the proposed formula.”⁴

Background: Governor Kasich’s proposed FY16-17 Executive Budget (HB64 – Smith) increases state aid for primary and secondary by \$746.9 million. General Revenue Fund (GRF) and lottery fund allocations for K-12 education would be \$8.7 billion in FY16, an increase of 4.9 percent, and \$9.1 billion in FY17, an increase of 4.0 percent.

The proposed FY16-17 funding formula retains the basic structure of the current funding formula. Increases are included for Core Opportunity Aid, from \$5,800 per pupil in FY15 to \$5,900 per pupil in FY16 and \$6,000 per pupil in FY17; Special Education - 2 percent annually; Career Technical weighted amounts - 4 percent annually; and K-3 Literacy amounts - 5 percent annually. The funding levels for the other categorical components, Economically Disadvantaged Aid, Gifted Funding, the English Language Learners, are not changed.

Increases and adjustments are also made to the transportation formula to help fully fund the program, and the Executive Budget increases funding for early childhood programs to \$80.3 million in FY16 and \$90.3 million in FY17 from a combination of General Revenue Fund receipts and casino operator settlement funds.

Even though there is a \$746.9 million increase in new state revenue, that amount is offset by other policy changes in the Executive Budget, so the amount of new money is actually \$459 million.

The total amount of state aid that school districts would receive depends on the new state share percentage formula, which determines a district’s local contribution; transitional aid (the guarantee), which results in a decrease of up to one percent of total state and local resources for 226 school districts in FY16 and 184 school districts in FY17;⁵ the phase-out of the reimbursements for the loss of tangible personal property tax and Public Utility Tangible Property taxes, which affects about 200 school districts;⁶ and the gain caps, set at 10 percent, which affects about 200 school districts.⁷

Howard Fleeter of the Ohio Education Policy Institute calculates that about 287 school districts will receive more state aid, while 323 school districts will receive less state aid than in FY15.⁸ He and others have testified before the House Finance Subcommittee on Primary and Secondary Education, chaired by Representative Cupp, about several anomalies in the proposed formula, including one that

⁴ Thomas, Terry M. “K-16 Education Initiatives in the FY2016-FY2017 Executive Budget Request”, *State Budgeting Matters*, The Center for Community Solutions, March 2015, p. 6.

⁵ Harris, Russ. Testimony on HB64, House Finance Subcommittee on Primary and Secondary Education, Ohio Education Association, March 5, 2015, p. 2.

⁶ Ibid.

⁷ Thomas, Terry M. p. 5.

⁸ Fleeter, Howard., p.3.

makes rural school districts seem wealthier.⁹

In trying to explain the estimated amount of state aid districts could receive through the new funding formula in HB64, Dr. Fleeter examined the effect of the 2009 recession on residential, business, and agricultural property values; described the changes in determining the “local share” using the proposed state share percentage; described the changes in transitional aid and the gain cap; and the changes in the three-year averaging of property values.

Dr. Fleeter recommends that the proposed state aid formula in HB64 should be modified to provide rural districts with more state resources. He notes that a previous study that he conducted found that rural districts offer fewer courses overall and fewer advanced courses, and additional state aid could help to close the opportunity gap for rural districts.¹⁰

One way to modify the formula would be to provide additional funding component for districts that raise less revenue from a mill of taxation than other districts. Another option would be to use another method to compute the state share, rather than ranking districts on a value per pupil basis, which is how the current state share index and the proposed state share percentage work.¹¹

2) Public Money for Public Schools

Message: The LWVO opposes taxpayer support for students attending private schools and increases in state aid for nonpublic school programs included in HB64 (Smith). 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 comply with standards that ensure a high quality education.

The LWVO specifically opposes the increases included in HB64 for auxiliary services and nonpublic administrative cost reimbursements; Ohio’s five voucher programs; the increase in the EdChoice Scholarship from \$5,000 to \$5,700 for high school students; and the expansion of the EdChoice low income program to grades two and three. This program would cost the taxpayers \$23.5 million in FY16 and \$31.5 million in FY17.

Background: Ohio transfers public dollars to support privately operated schools through auxiliary services, nonpublic administrative cost reimbursements, and through five voucher programs.

Governor Kasich’s FY16-17 Executive Budget increases state GRF support for nonpublic schools to \$212.0 million in FY16 and \$222.2 million in FY17 for two programs: Auxiliary Services and Nonpublic Administrative Cost Reimbursements. This is an increase of about \$21 million over FY15 levels.¹²

Voucher Programs: Starting in 1996 Ohio policy makers have approved several programs that

⁹ Fleeter, Howard., “House Bill 64 Testimony”, Ohio Education Policy Institute.

¹⁰ Ibid., p. 10.

¹¹ Ibid.,

¹² Legislative Service Commission, “Redbook for Primary and Secondary Education” February 2015, p. 61.

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 FY14 \$167.5 million was transferred from public schools to private schools, and approximately 29,142 students participated in the various voucher programs. 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.¹³

School Voucher Programs in Ohio

-Cleveland Scholarship and Tutoring Program (1996): In FY14, 6,337 students participated in the program with an estimated average scholarship of \$4,552. In FY14, \$11.9 million was deducted from Cleveland's state aid to fund this program for total program spending of about \$28.8 million.

-Autism Scholarship Program (2004): In FY14, \$45.4 million was transferred for the scholarships to support about 2,623 students from 401 school districts.

-The Jon Peterson Special Needs Scholarship Program (2012): In FY14 \$18.7 million was transferred for the scholarships for about 2,103 students from 320 school districts.

-Educational Choice Scholarship Program (2006): In FY14, 16,987 scholarships were awarded and cost \$70.7 million.

-Education Choice for Low Income Students (2013 - HB59 Biennial Budget): This program is funded by state lottery profits rather than as a deduction from the resident school district's accounts. The Executive Budget proposes to shift funding to the GRF and phase in additional grades (second and third grades) in FY16 and FY17. The program currently serves kindergarten and first grades. The program will cost \$23.5 million in FY16 and \$31.5 million in FY17. The number of scholarships awarded under the expansion will be limited to the appropriation, so that in FY16, 5,529 scholarships will be available and in FY17, 7,411 scholarships will be available. In FY14, the first year of the program, 992 kindergarten students were awarded income-based scholarships for a cost of \$3.8 million.

-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.

The increase in funding for private schools and the expansion of voucher programs not only diverts 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 impacts the role of the community

¹³ Ibid., pp. 29 and 39.

regarding the education of children.

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

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 are 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 the resources for public education and undermines the very purpose of public education in a democracy.

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.)

3) Charter Schools

Message: The LWVO is very encouraged by the number of bills that have been introduced in the 131st General Assembly to increase accountability and transparency regarding charter school operations. These bills and the audits and recommendations issued by State Auditor David Yost could lead to better financial records, better attendance records, and fewer conflicts of interest for charter schools.

However, these bills and recommendations still do not address all of the LWVO concerns about charter school accountability.

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 licensing standards, and a prescribed curriculum to ensure that All students in Ohio have access to an education of high quality.

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 two

positions to inform our decisions when reviewing legislation or policies regarding charter schools: 1) the requirement that all chartered schools comply with the same state standards as traditional schools, and 2) 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.

Charter schools were first established in Ohio in FY99. They have grown from 15 schools educating 2,245 students (0.1 percent of public school enrollment) in FY99 to 388 schools educating 120,826 students (7 percent of public school enrollment) in FY14. According to the Legislative Services Commission (LSC) charter school funding will reach nearly \$1 billion (\$990 million) annually by FY17.¹⁴

Recent investigative reports in the newspapers, studies conducted by CREDO of Stanford University¹⁵ and Bellwether Education Partners,¹⁶ and audits conducted by State Auditor David Yost¹⁷ have intensified scrutiny of charter school operations. These investigations and reports have identified a number of problems plaguing Ohio's charter school industry, including conflicts of interest, misappropriation of funds, poor accounting practices, unrecoverable funds, student attendance irregularities, closed schools reopening, and an unprecedented number of school closures.

In response to these reports and investigations, four bills have been introduced in the 131st General Assembly to increase accountability and transparency for charter schools: Governor Kasich's Executive Budget, HB64 (Smith); HB2 (Dovilla/Roegner), SB20 (Schiavoni) Record Keeping, and SB59 (Skindell) Defines Public/Private Funds. In addition, State Auditor David Yost presented on March 4, 2015 to the House Education Committee, chaired by Representative Hayes, a list of recommendations to improve charter school law in the areas of accountability, finance, and governance. These recommendations could be included in an expected amendment to HB2.

The LWVO supports some provisions in these bills to change charter school law to reduce conflicts of interest, increase transparency, increase access to the public, increase accountability, and establish good government practices.

SB20 would require the state auditor to audit accounts, reports, records and files regarding the receipt or expenditure of public funds for every community school, sponsor, and operator.

SB59 states that any state funds that are paid to a charter school and are used as payment for services rendered by an operator or management company shall maintain their status as public money once transferred to the operator or management company. The bill states that property, furniture, books, computers, etc. purchased with public funds are not the property of an operator or management company.

¹⁴ Legislative Service Commission, "Redbook for Primary and Secondary Education" March 2015, p. 38.

¹⁵ Center for Research on Education Outcomes, "Charter School Performance in Ohio", Stanford University, December 9, 2014.

¹⁶ Squire, Juliet., Kelly Robson, and Andy Smarick, "The Road to Redemption: Ten Policy Recommendations for Ohio's Charter School Sector", Bellwether Education Partners, December 2014.

¹⁷ Yost, David., "Testimony before the House Education Committee", March 4, 2015.

One of the many provisions to change charter school law in HB64 requires the ODE to approve and enter into an agreement with all sponsors, including those in the original pilot program and certain educational service centers. HB64 would also repeal a strange provision in current law that allows a charter school operator to replace the charter school's governing board if the board tires to terminate the contract with the operator.

HB2 requires each member of a charter school governing authority to annually file a disclosure statement identifying potential conflicts of interest, and requires that the fiscal officer of a charter school be employed by or engaged under a contract with the governing authority of that charter school, rather than the operator of the school.

These are only a sampling of the provisions included in HB64 and HB2 that address charter school issues. Unfortunately, there are still no provisions that would require sponsors or schools to be accountable to elected boards of education, or comply with the same standards (operating, teacher licensing and evaluation, and prescribed curriculum) as traditional public schools. This means that overall, charter school laws still do not align with LWVO positions.

The LWVO also urges lawmakers to end the practice of funding charter schools as a deduction from school district accounts. The process totally lacks transparency and intentionally hides the real cost of operating charter schools Ohio.

According to testimony by Tom Ash from the Buckeye Association of School Administrators (BASA) before the House Finance Subcommittee on Primary and Secondary Education, the statewide average funding for charter schools on a per pupil basis in FY15 is \$7607 while the statewide average per-pupil state aid for traditional public schools is \$4184. "The difference between what a school district receives from the state for a community school student and what is deducted from the district's state funds must be made up by the district using local tax dollars. Further, a district does not receive the full basic aid amount from the state for any of its students, as is the case for community schools."¹⁸

No charter schools would receive a reduction in state aid through HB64, unlike 323 school districts.

Furthermore, the LWVO opposes the following charter school provisions in HB64:

- Creates a new \$25 million facilities fund for building construction and renovation projects for exemplary sponsors.
- Allows charter schools sponsored by exemplary sponsors to partner with their resident school district to receive funding from a local tax levy if approved by their local school boards.
- Allows exemplary sponsors to offer general education preschool and receive early childhood education funding.
- Increases facilities support for charter schools to \$200 per student. This program is funded with lottery profits of \$18.4 million in FY16 and \$31.5 million in FY17.

¹⁸ Ohio School Boards Association, Buckeye Association of School Administrators, Ohio Association of School Business Officials. "Joint Testimony on House Bill 64", March 5, 2015.

-Requires ODE to create an “incentive” system for sponsors with an “exemplary” rating, which allows a variety of exemptions that will just increase the lack of transparency and accountability of sponsors to the public.

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