

## Education Funding in Ohio

### Issues

- The Ohio public school funding system has been ruled unconstitutional four times by the Ohio Supreme Court, which called for a “complete system overhaul”. This has not been done [1]
- The per pupil base support level has no relationship to the cost of an adequate education [2]
- The percentage of the state budget assigned to public K-12 education has declined over the past four decades, from 41% in the 1964 – 1965 biennium to 27% in 2004 – 2005. [3]
- The Ohio Department of Education Charter School Payment Report for March 2005 shows that \$424,368,763.07 is being transferred from public school districts to charter schools during FY 2005. [4] Of the two-thirds of the charter schools that reported performance data, 60 percent earned the state's lowest rating, academic emergency, on the most recent state report card. [5]
- Nine Ohio school districts are currently in fiscal emergency and thus are subject to state oversight. Only two of these nine districts were in fiscal emergency prior to March 2003. Twelve districts are currently in fiscal watch. Only three of these districts were categorized as fiscal watch prior to March 2003. [6]
- There were 223 school tax issues on the March 2, 2005 ballot, the highest since 1992 and the third highest since 1970. 53% of the levies on the ballot failed. Of the total of 123 districts needing additional operating money to avoid cuts and debts only 33% passed. [7]
- Last year, 14 school districts across Ohio were operating in the red. By 2008, 419 are projected to be in a deficit; and by 2009, 521 could be. [8]
- Per student expenditures in 2005 are projected to range from a low of \$5,660 to a high of \$16,740. This represents a disparity factor of 2.9574. [9]

**Governor Taft’s 2006-2007 budget continues Ohio’s over-reliance on local property taxes by not providing enough state funding for our public schools. It also does nothing to stabilize funding for education. The present budget will result in a shortfall of \$1.2 billion overall in basic state funding. Those school districts that can’t make up the difference will be forced to cut back their costs by scaling back programs, closing buildings, laying off teachers, and increasing class sizes.**

### How are schools funded?

School funding in Ohio is complicated. Currently schools are funded through a combination of State (44%), Federal (6%) and Local (50%) taxes. The amount of state funding provided to a district is based on the school funding formula set by the state. Wealthy districts can raise more than the guaranteed amount. The guaranteed amount is set by the State, but isn’t based on the actual cost of providing education.

### The DeRolph Case

In 1991, the Ohio Coalition for Equity and Adequacy of School Funding sued the State of Ohio because they believed that the way schools were funded was seriously flawed. In 1997 and in several other rulings since, the Ohio Supreme Court declared the entire school funding system unconstitutional. They said that the whole system needed to be overhauled because it was unfair in the kind of opportunities available to students. So far, the state has only tinkered with the same old system.

### **What's wrong with the system?**

Ohio's system of funding education relies heavily on local property taxes resulting in big differences in how much money each district has. It causes problems for poor rural, urban, and even suburban schools. In 2003, Beachwood (Cuyahoga County) had \$17,735 of funding per student from state and local taxes, while River View Local (Coshocton County) had only \$7,529. There are many examples of what these inequities mean to children. Some schools use outdated textbooks or Xeroxed copies of textbooks. Some children are going to school in buildings that have been condemned. Some struggle to fund such basics as a school librarian. Schools have more to do than in the past to prepare children for an increasingly challenging job market and to be citizens in a very complicated world.

Some people say poor schools just don't care enough; however, consider tax effort. People in a poor district pay a larger portion of the money they have but still can't raise as much money as rich districts. A rich district has valuable property, so a mil in a rich district raises a lot of money. In a poor district, a mil doesn't raise as much money because overall property value is low.

Compared to other states, Ohio spends a greater amount of its tax dollars on privately funded schools. However, in Ohio report cards, charter schools perform no better and often worse than public schools. Many of these schools are managed by for-profit companies that are not accountable to a Board of Education and thus not accountable to taxpayers.

### **Phantom Revenue**

As property values go up state funding often goes down to that district. The state funding formula gives local districts less money when the local property values go up because the state assumes the increase in property taxes is going to the schools. However, due to HB 920, the schools do not realize any increase in their funding from increased property value, because the local taxes are fixed at the value of the property at the time of the last levy.

### **Recommendations**

- Support the Flannery constitutional amendment to create the Ohio Educational Opportunities Commission to define what it costs to educate a child and to reduce property taxes \$1.7 billion statewide, and make up the school funding difference.
- Support selected goals of the Blue Ribbon Task Force on Education funding. Some suggestions deal with developing a school funding system that raises sufficient revenue reliably and predictably, allocating funds fairly and effectively, and spending resources efficiently and with accountability.

- Support selected recommendations of the Blue Ribbon Task Force on Education funding. These recommendations include: eliminating phantom revenue; targeting funding to districts and students most in need; services and programs that are proven effective in enhancing student success; reducing the need for districts to conduct operational levies; stabilizing funding from state and local resources; and, funding initiatives that support research related to academic success. However, these recommendations do not do enough to reduce reliance on property taxes, nor do they define what an adequate education consists of as required by DeRolph.
- Instead of relying heavily on the individual property owner school funding should come from a variety sources – property taxes, income taxes, sales taxes, and business taxes.

### Footnotes:

1. Bircker & Eckler LLP, [website](#): “Chronology of the Ohio School Funding DeRolph Litigation. SEE ALSO Fair Taxation and Equal Education Task Force, website: ([www.fixtheschools.org/about.shtml](http://www.fixtheschools.org/about.shtml))
2. Ohio Coalition for Equity & Adequacy of School Funding, [website](#): Para 3. SEE ALSO Ohio Fair Schools Campaign, website; ([www.ohiofairschools.org/PDF/StudyGuides/OFSC%203.pdf](http://www.ohiofairschools.org/PDF/StudyGuides/OFSC%203.pdf))
3. Columbus Dispatch, Feb 27, 2005, cited in: Ohio Coalition for Equity and Adequacy of School Funding E-Mail News “State Budget has increased faster than inflation rate...” Feb 28, 2005
4. Ohio Coalition for Equity & Adequacy of School Funding, E-Mail News March 3, 2005
5. Cincinnati Enquirer Wednesday, May 5, 2005 Editorial. This article cited a Legislative Office of Educational Oversight 2003 report . See <http://www.loeo.state.oh.us/preEleSec.cfm> for several of these reports.
6. Ohio Coalition for Equity & Adequacy of School Funding E-Mail News “Financially Troubled School Districts Growing” March 30, 2005
7. Ohio Coalition for Equity & Adequacy of School Funding E-Mail News “Response to March 24 Columbus Dispatch Article” March 24, 2005
8. OHDISTSM.XLS spreadsheet prepared by Dennis P. Brinton, “Ohio District Forecast Summary” source of this spreadsheet is data at Ohio Department of Education website. The analysis is based on comparison of data from the following files downloaded from this site: [ftp://ftp.ode.state.oh.us/Misc/5-forecast\\_tab\\_2004.txt](ftp://ftp.ode.state.oh.us/Misc/5-forecast_tab_2004.txt) and [ftp://ftp.ode.state.oh.us/Misc/5\\_forecast\\_tab\\_2005.txt](ftp://ftp.ode.state.oh.us/Misc/5_forecast_tab_2005.txt)
9. OHDISTSM.XLS spreadsheet prepared by Dennis P. Brinton, “Per Capita Expenditures” source of this spreadsheet is data at Ohio Department of Education website as cited above and an ODE spreadsheet with school district enrollment forecasts.