



SCHOOL FUNDING IN OHIO

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OHIO'S CONSTITUTION

Article VI:

“The General Assembly shall make such provisions, by taxation, or otherwise, with the income arising from the school trust fund, will secure **a thorough and efficient system of common schools throughout the state...**”

Ohio Supreme Court found the School Funding System unconstitutional four times in the late 90s, early 2000s

Over-reliance on property taxes meant that some districts unable to provide a thorough education

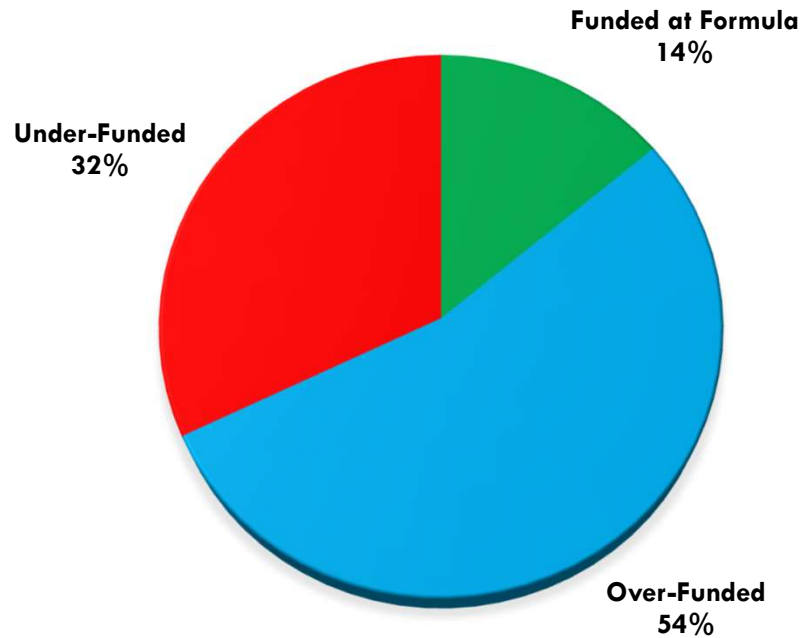
TODAY

State funding formula for education is supposed to provide more aid to districts with higher need and less capacity to pay

And yet:

- In FY 2018, more than 85 percent of districts did not receive their allocated funding formula

FUNDING STATUS OF OHIO SCHOOL DISTRICTS (2018)



THE CULPRIT?

Arbitrary system that focuses on a district's previous year funding rather than actual need

- **Caps:** a ceiling that limits growth in state funding based on previous year's allocation, despite *increases* in need
- **Guarantees:** a floor on funding based on previous year's allocation, despite *decreases* in need

Caps and Guarantees generate a system in which students are over- or under-funded depending on where they happen to live, not based on their actual needs

Another way to think about Caps:

- Capped districts not reimbursed for students they are educating
- Guarantee districts paid for 'phantom students' not being educated

HISTORY OF CAPS & GUARANTEES

Caps:

- Used in late 90s, discontinued in 2002
- Re-instituted in 2010
- Have become far more stringent over time -- allowing for smaller amounts of growth in state funding, even when district needs increase

Guarantees:

- In effect since at least 1999 (earliest year for which school funding reports available online)

CAPS DISPROPORTIONATELY HARM DISTRICTS & STUDENTS WITH GREATER NEEDS

Capped districts tend to have:

- More poverty
- Lower property tax bases and median incomes
- Lower report card scores
- More minority and English-language learning students

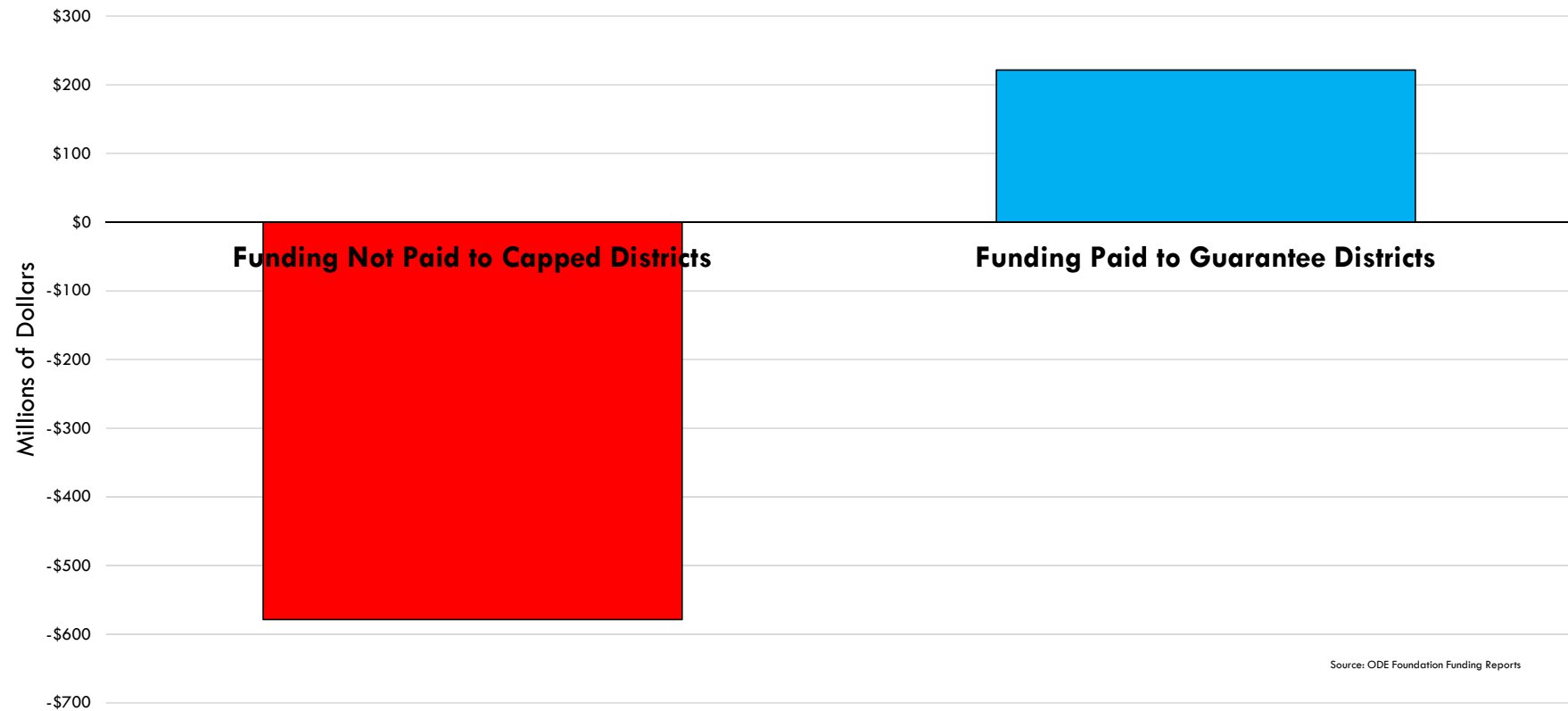
Disproportionately penalize students:

- Living in poverty
- Of color
- Living in suburban/urban Ohio

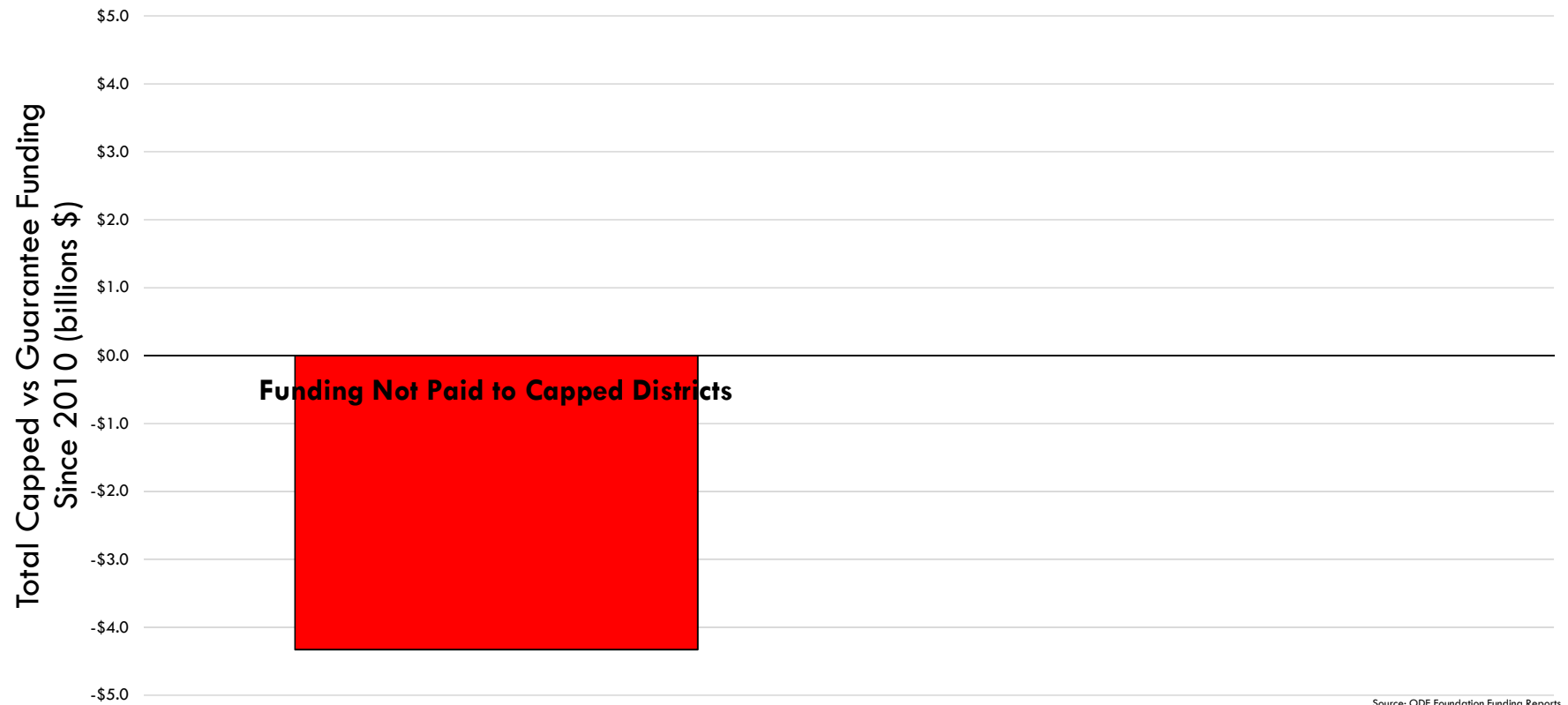
IN FY 2018, CAPPED DISTRICTS UNDER-FUNDED BY \$579 MILLION



... AND GUARANTEE DISTRICTS OVER-FUNDED BY \$222 MILLION

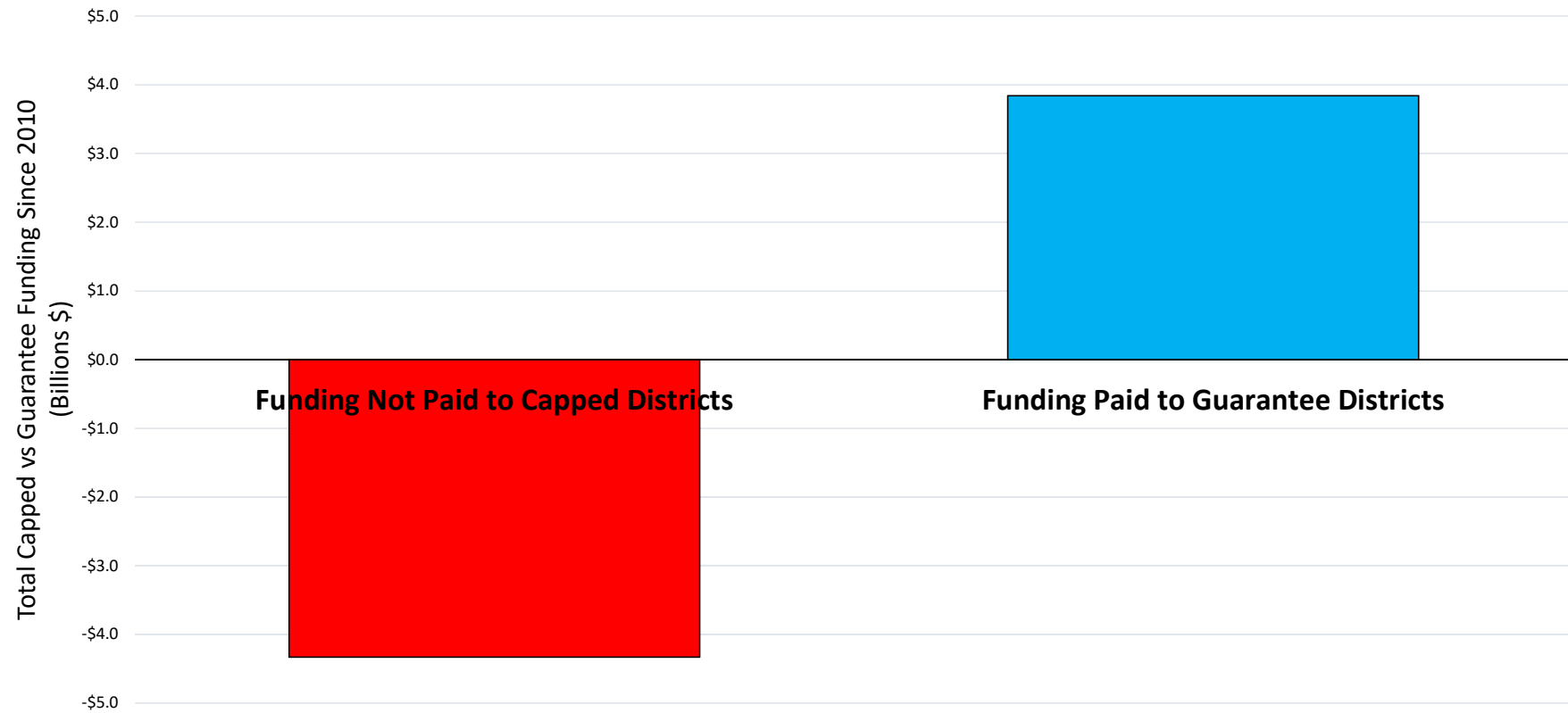


SINCE 2010: CAPS HAVE UNDER-FUNDED DISTRICTS BY \$4 BILLION...



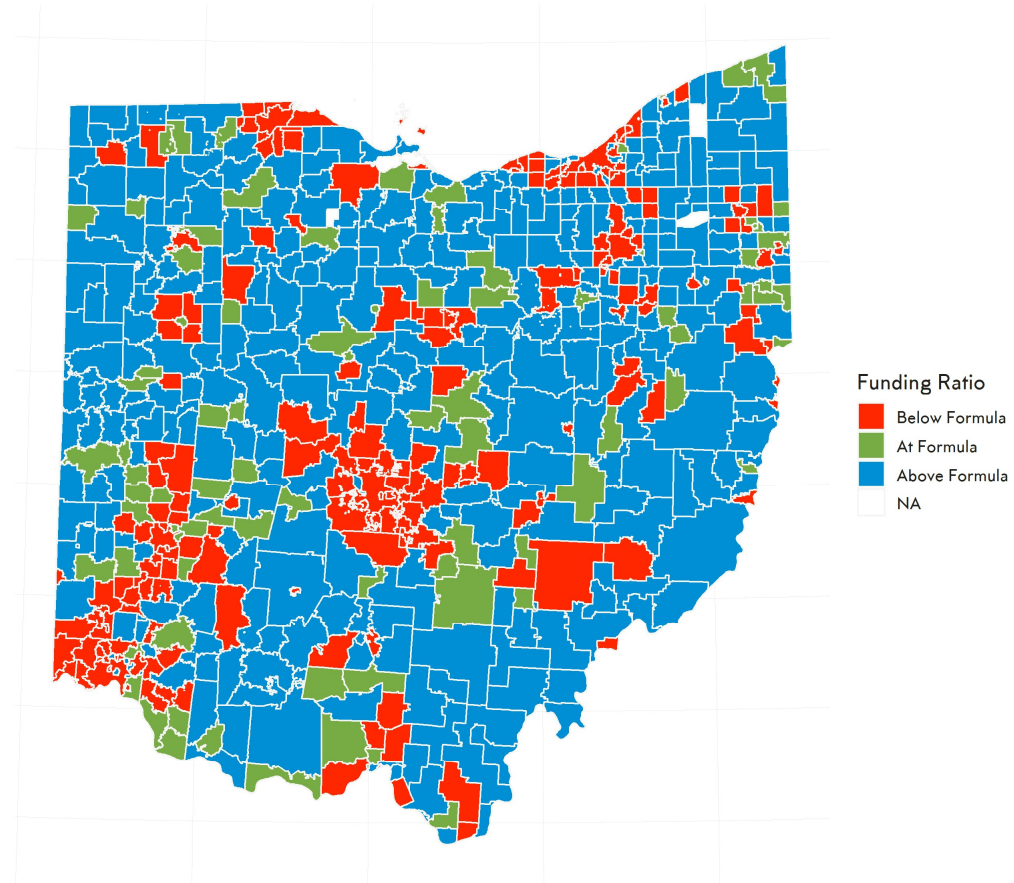
Source: ODE Foundation Funding Reports

...AND GUARANTEES HAVE OVER-FUNDED DISTRICTS BY \$4 BILLION



Ohio School District Funding

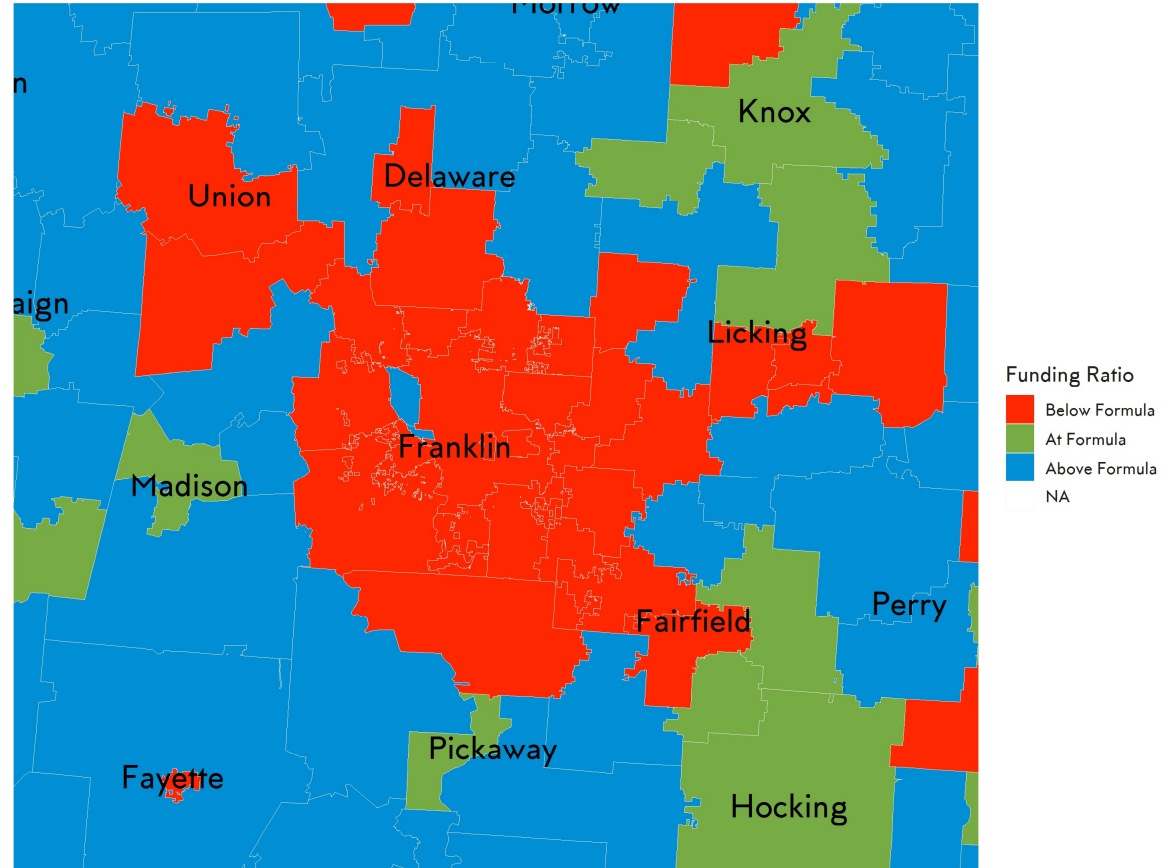
Ratio of Funds Received to Funds Owed According to Formula



CENTRAL OHIO HIT PARTICULARLY HARD

Many districts affected by the cap

Ohio School District Funding
Ratio of Funds Received to Funds Owed According to Formula



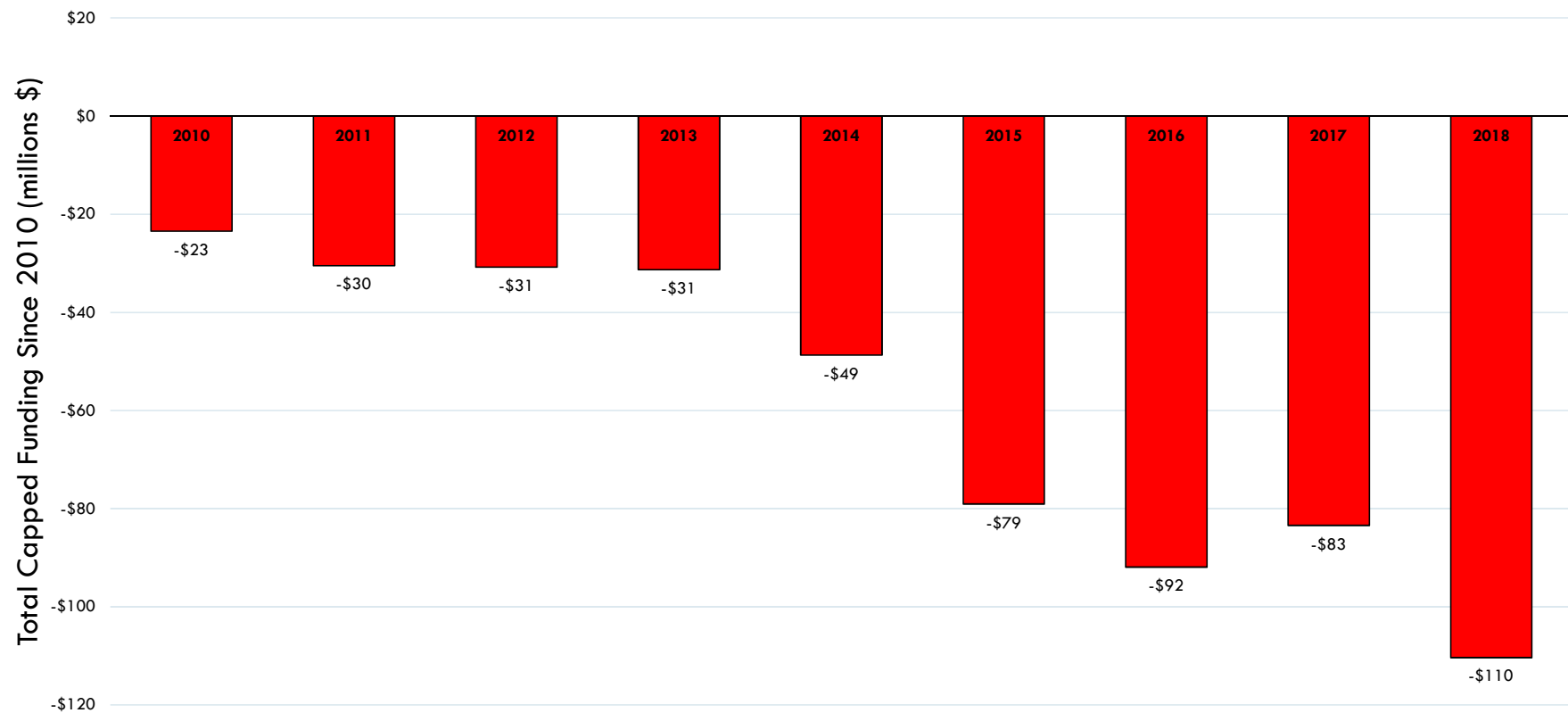
EXAMPLE: COLUMBUS CITY SCHOOL DISTRICT



COLUMBUS
CITY SCHOOLS

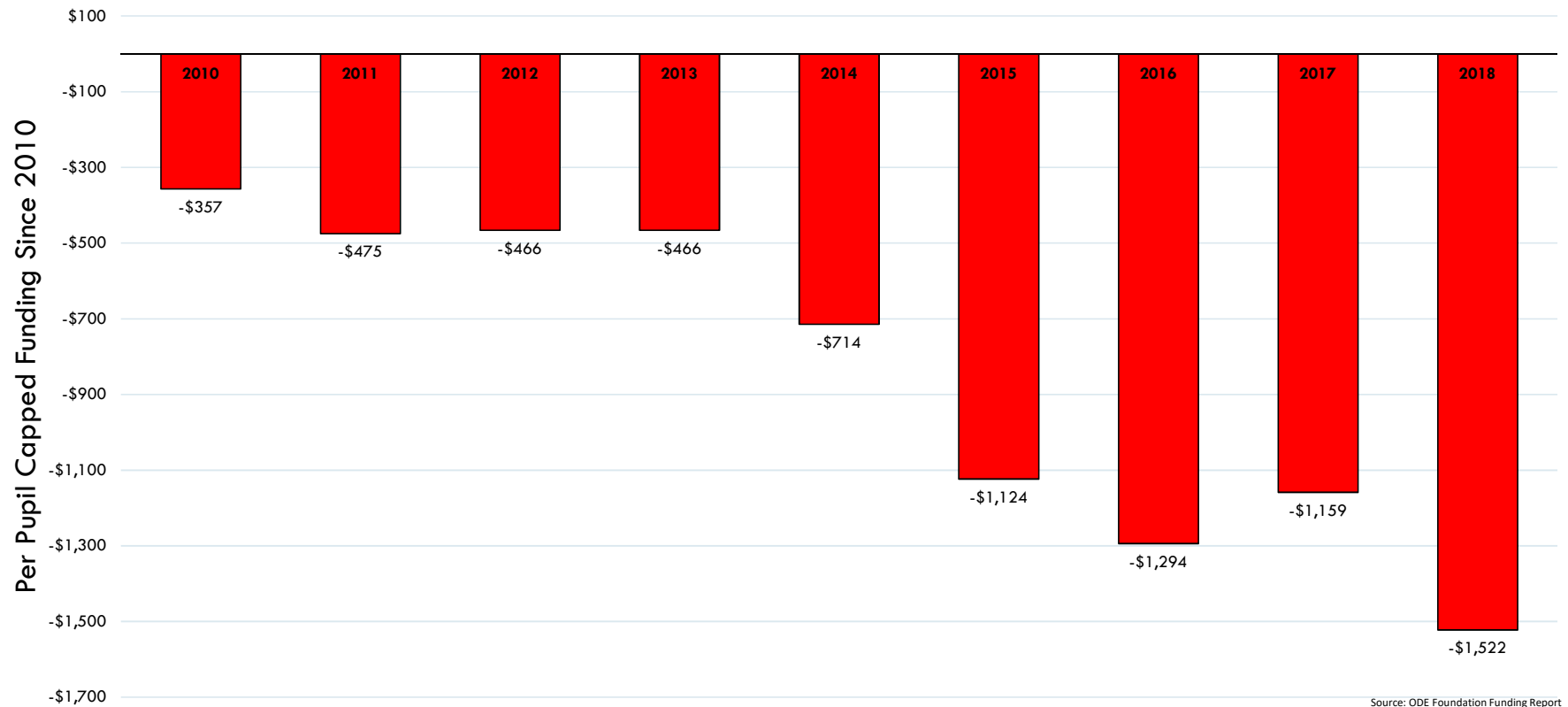
- Largest school district in Ohio
 - Diverse, high-poverty student population
 - Many English-language learners
 - Academically Under-Performing
- And since caps re-instituted in 2010, Columbus City Schools have been capped

THE CAP HAS COST COLUMBUS CITY SCHOOLS \$529 MILLION SINCE 2010



Source: ODE Foundation Funding Report

PER PUPIL, THIS UNDER-FUNDING HAS GROWN TO \$1522 IN FY 2018



Source: ODE Foundation Funding Report

INEQUALITIES IN STATE FUNDING ACROSS DISTRICTS

SCHOOL DISTRICT STRESS

Ohio identifies a number of stressors that require more funding from the state

1. Fraction of students economically disadvantaged
2. District's capacity to fund education (based on property tax base and income: SSI)
3. Low Report Card Scores
4. Fraction of Limited English Proficient

However, in practice caps serve to under-fund those districts that are the most stressed.

FOR EACH METRIC OF STRESS

We divide school districts into quintiles (or report card grades).

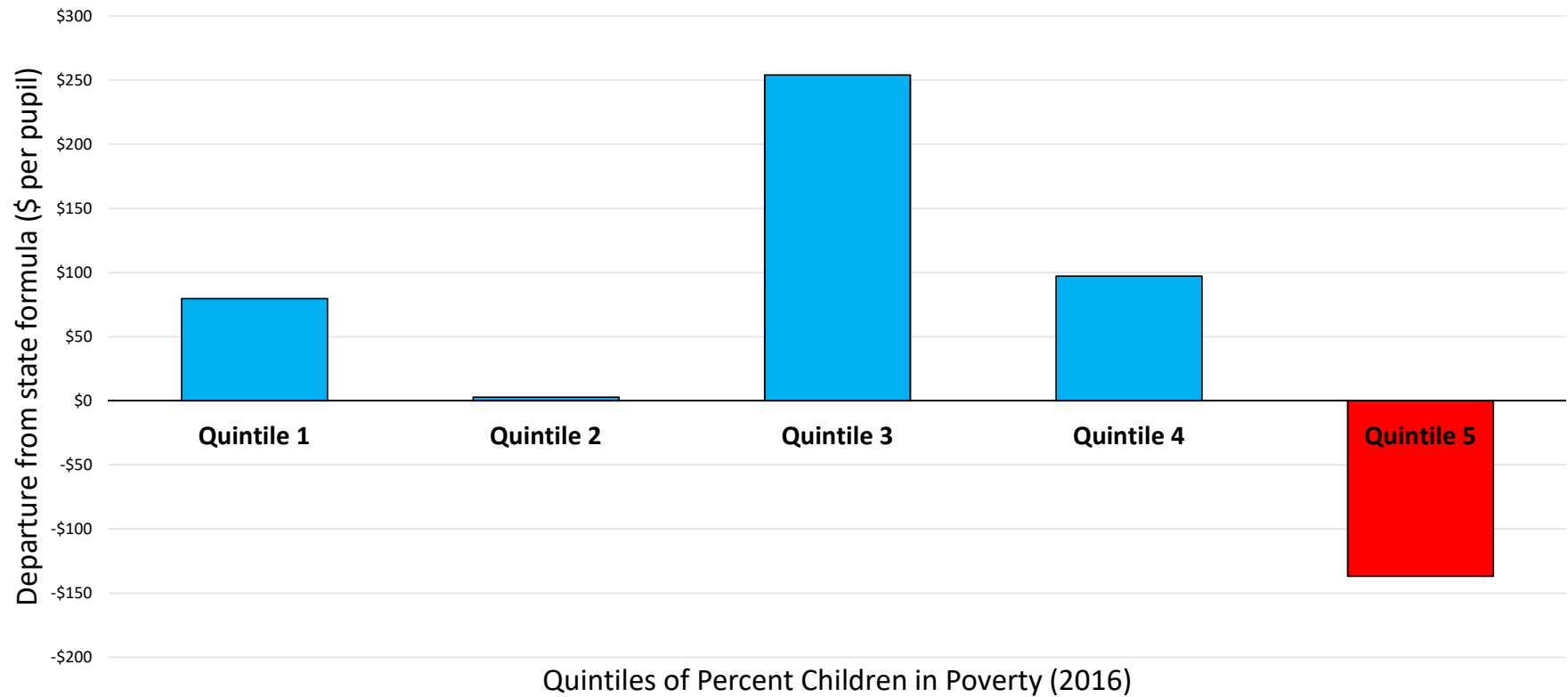
- **Top quintile:** districts with fewest needy students, most financial resources
- **Bottom quintile:** districts with most needy students, fewest financial resources

Look at per pupil expenditures

- What districts *should* receive according to the funding formula vs what they actually receive
- On average, how much over/under the state funding formula (in per pupil terms) are school districts in each quintile receiving?

DEPARTURE FROM STATE FUNDING FORMULA (PER PUPIL, 2018)

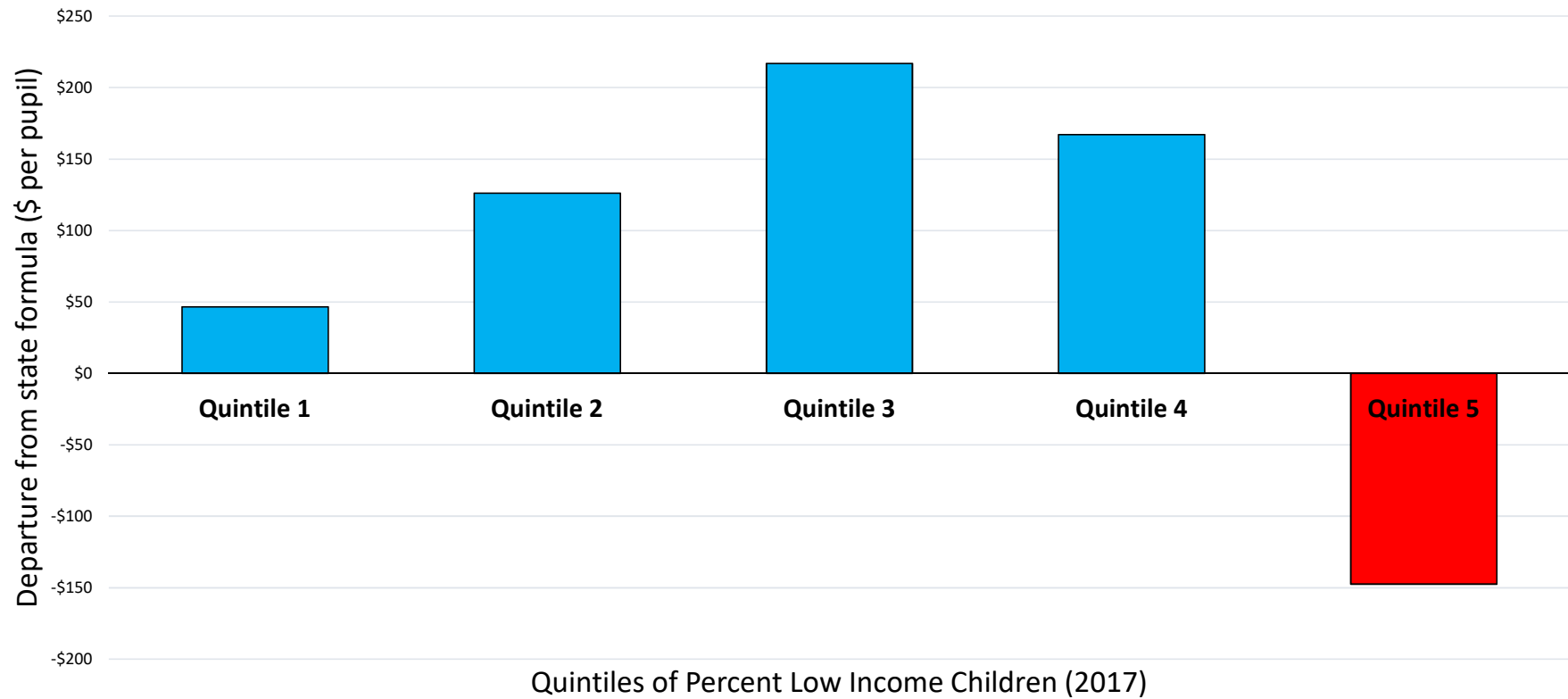
BY PERCENT STUDENTS IN POVERTY



Source: Census Bureau and ODE Foundation Funding Report

DEPARTURE FROM STATE FUNDING FORMULA (PER PUPIL, 2018)

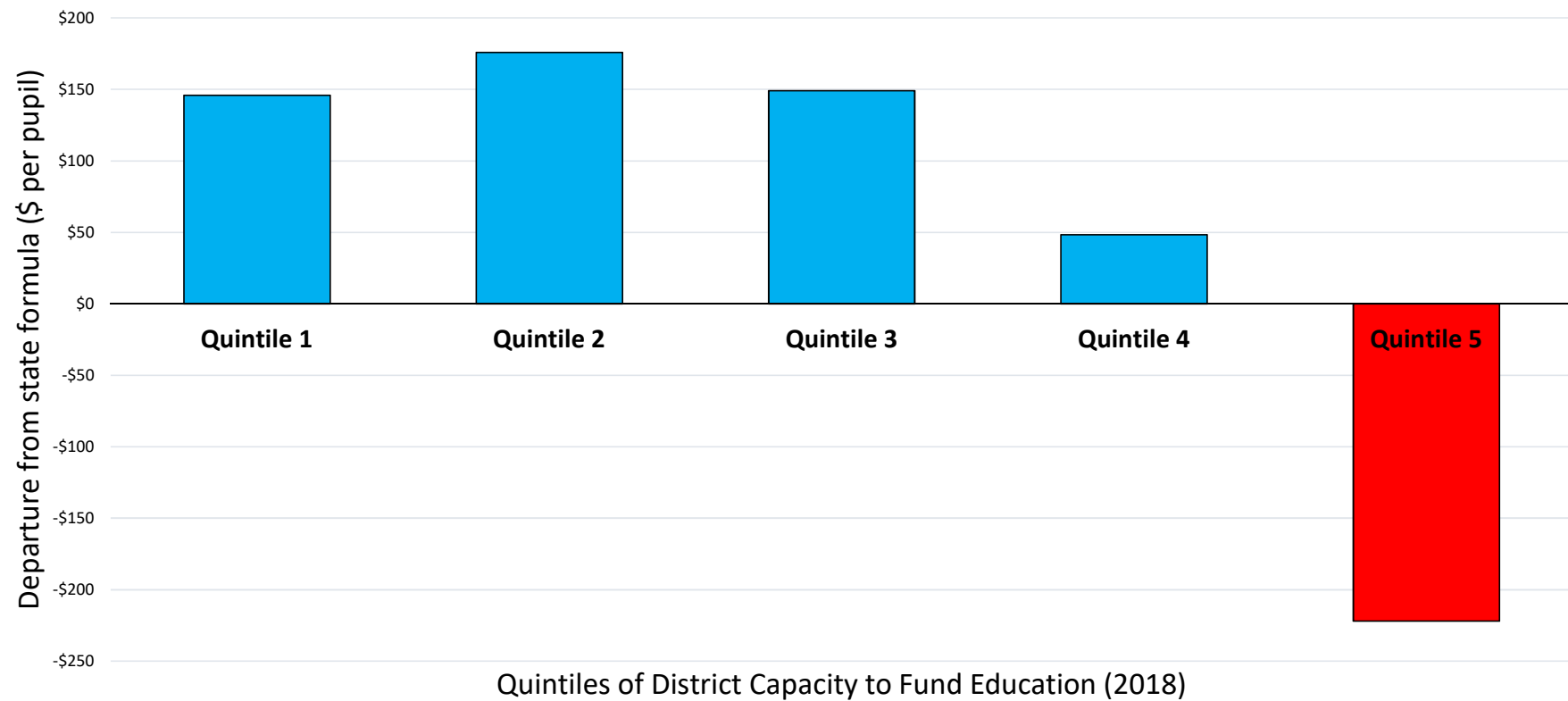
BY PERCENT LOW INCOME STUDENTS



Source: Dept of Agriculture and ODE Foundation Funding

DEPARTURE FROM STATE FUNDING FORMULA (PER PUPIL, 2018)

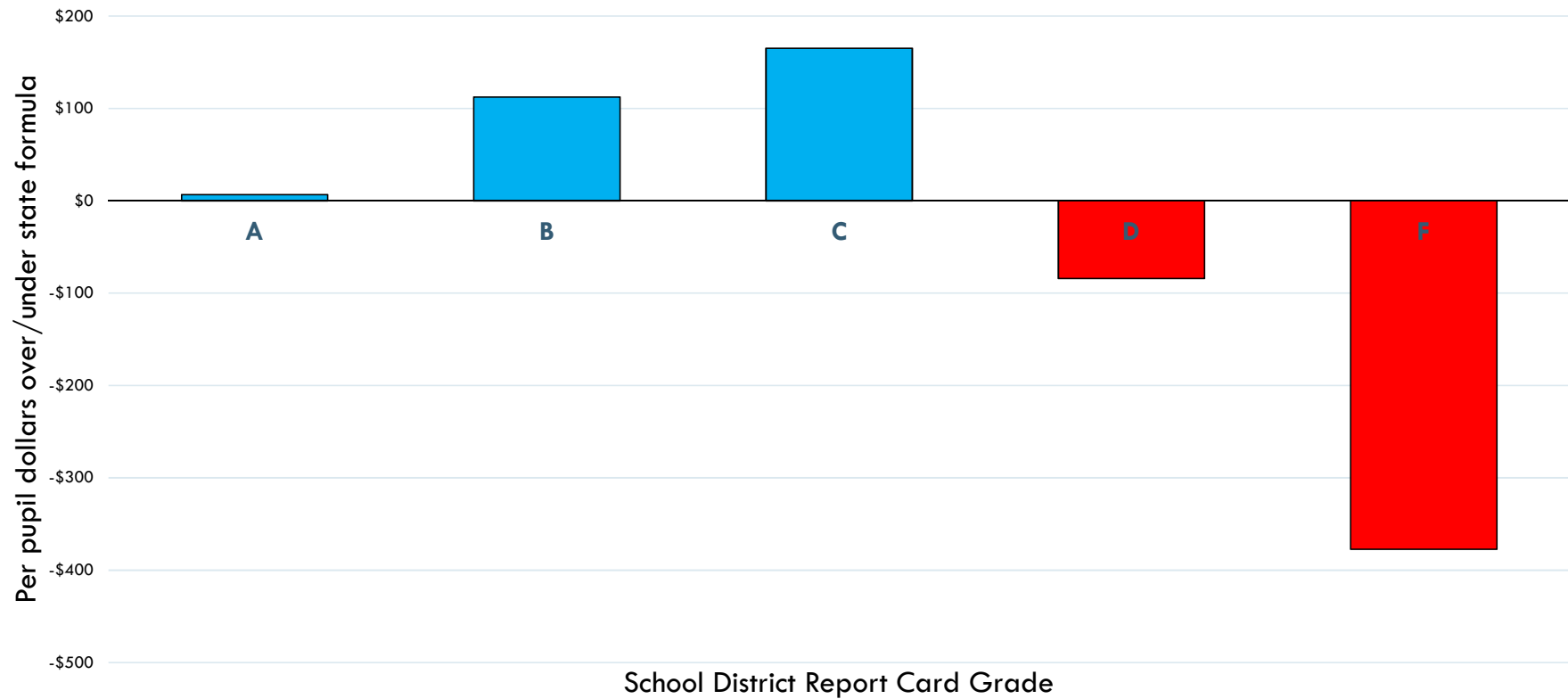
BY CAPACITY TO FUND EDUCATION (SSI)



Source: ODE Cupp Report and Foundation Funding Report

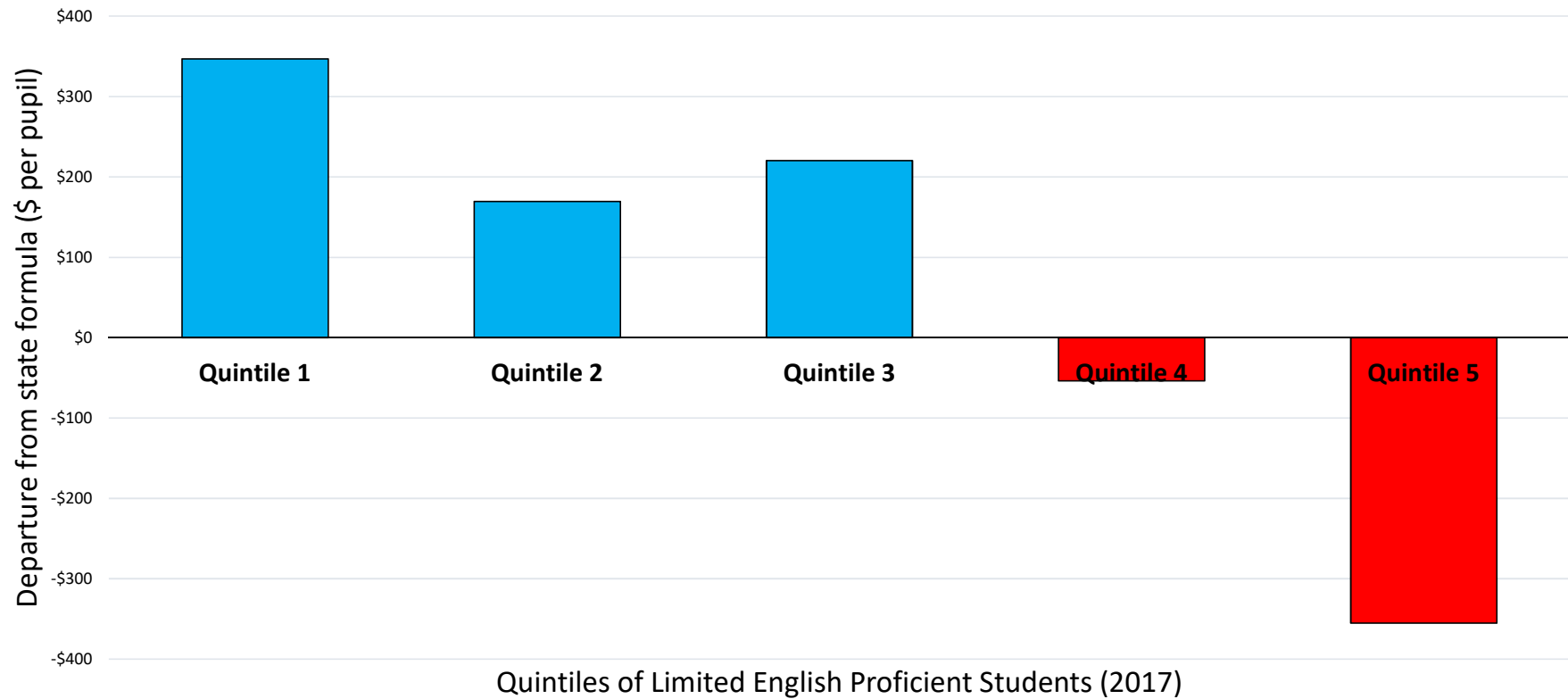
DEPARTURE FROM STATE FUNDING FORMULA (PER PUPIL, 2018)

BY DISTRICT REPORT CARD GRADE



DEPARTURE FROM STATE FUNDING FORMULA (PER PUPIL, 2018)

BY PERCENT LIMITED ENGLISH PROFICIENT



Source: ODE Cupp Report and Foundation Funding Report

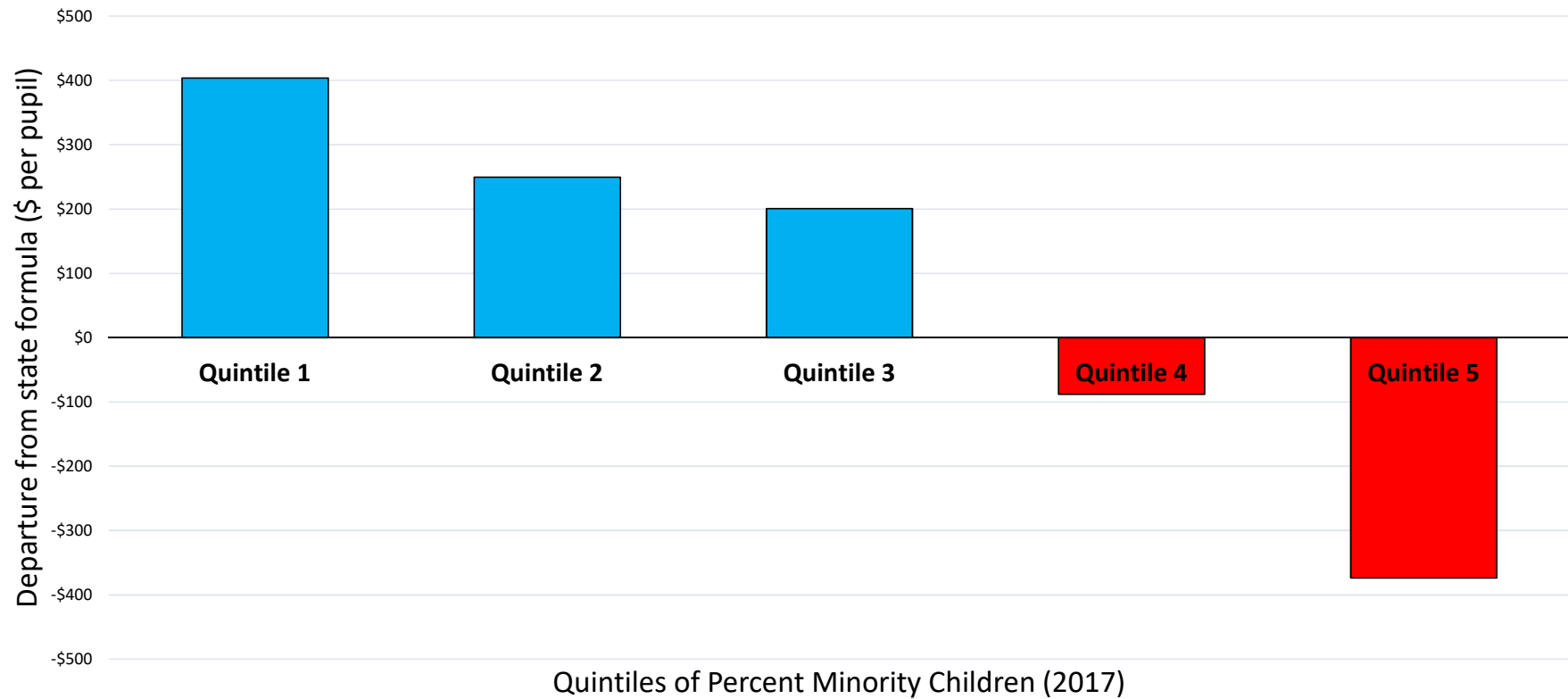
OTHER METRICS WE CARE ABOUT?

Group School Districts into Quintiles by:

- **Percent Minority:** African-American + Hispanic
- **Rural/Urban:** Pupil Density

DEPARTURE FROM STATE FUNDING FORMULA (PER PUPIL, 2018)

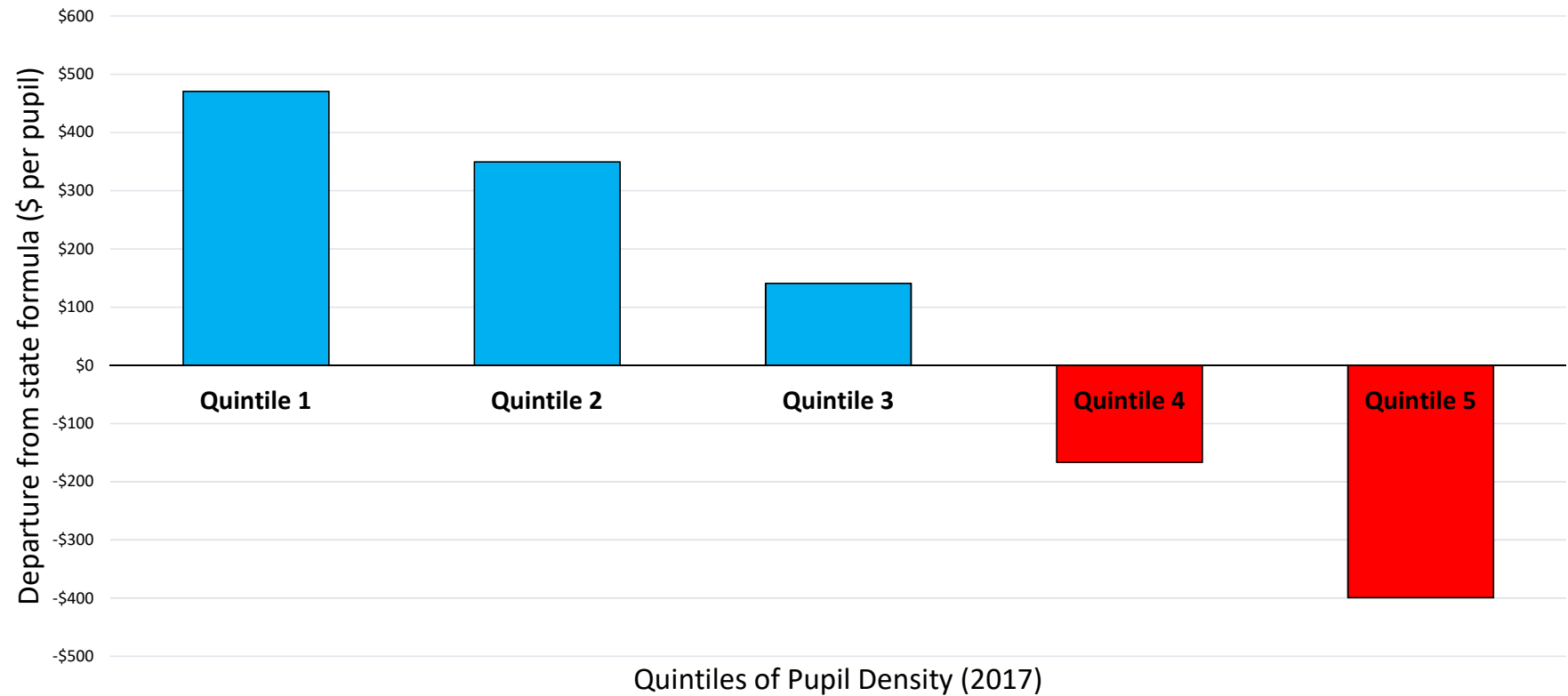
BY PERCENT MINORITY STUDENTS



Source: ODE Cupp Report and Foundation Funding Report

DEPARTURE FROM STATE FUNDING FORMULA (PER PUPIL, 2018)

BY PUPIL DENSITY



Source: ODE Currp Report and Foundation Funding Report

TAKEAWAY SO FAR

In FY18, on every metric of need:

- The **neediest** school districts— especially those in the bottom quintile—received **LESS** than their allocated state funding amount.
- **Less needy** received **MORE** than their allocated state funding amount

Important to note:

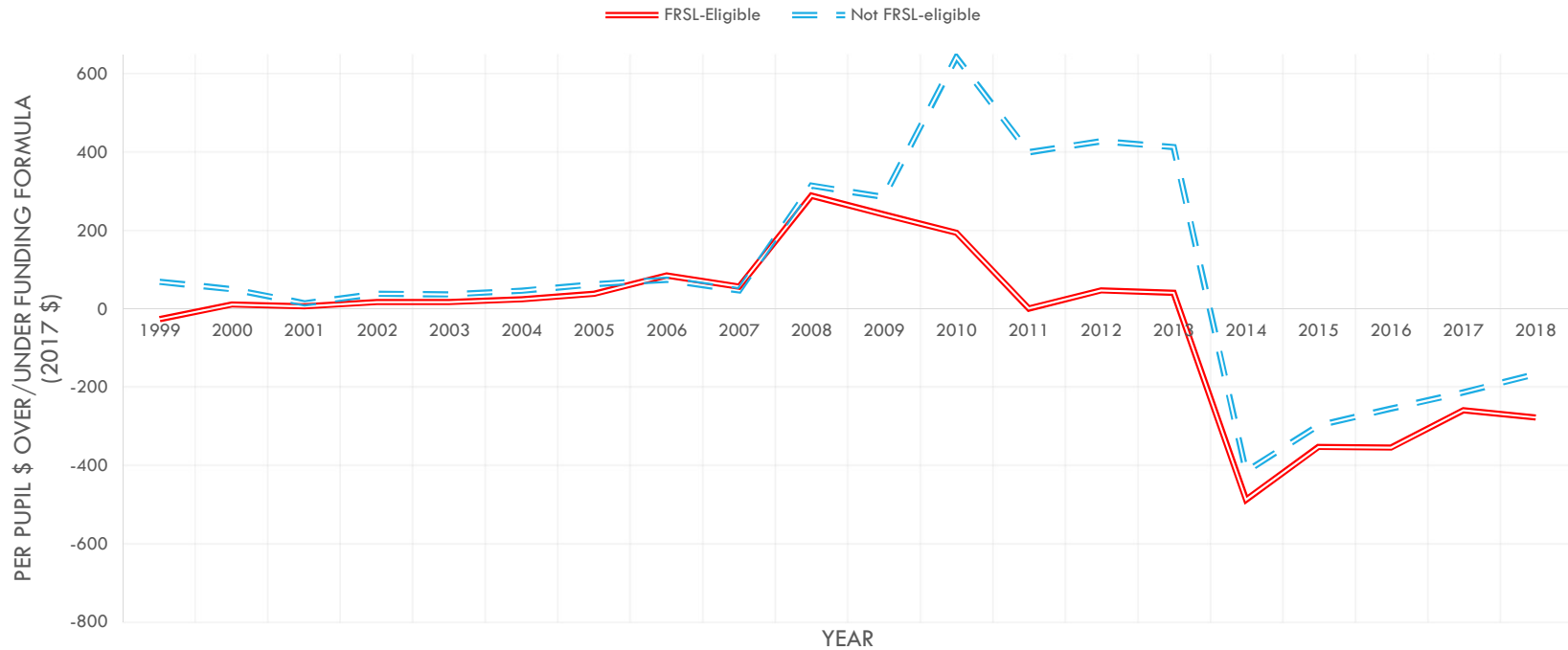
This phenomenon of under-funding is not new

NEXT TWO PLOTS

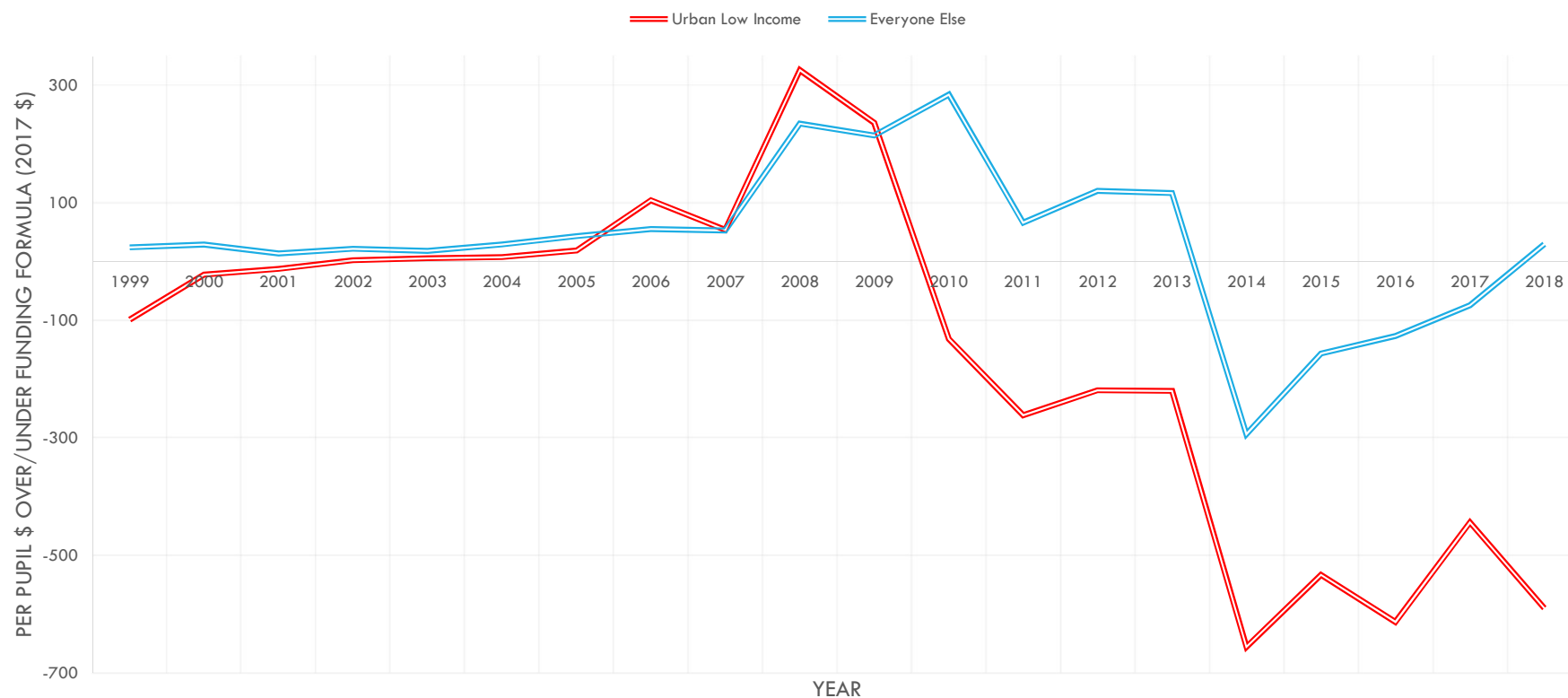
How much do different groups of kids in Ohio receive vis-à-vis the funding formula?

- Over time
- Regardless of where they live

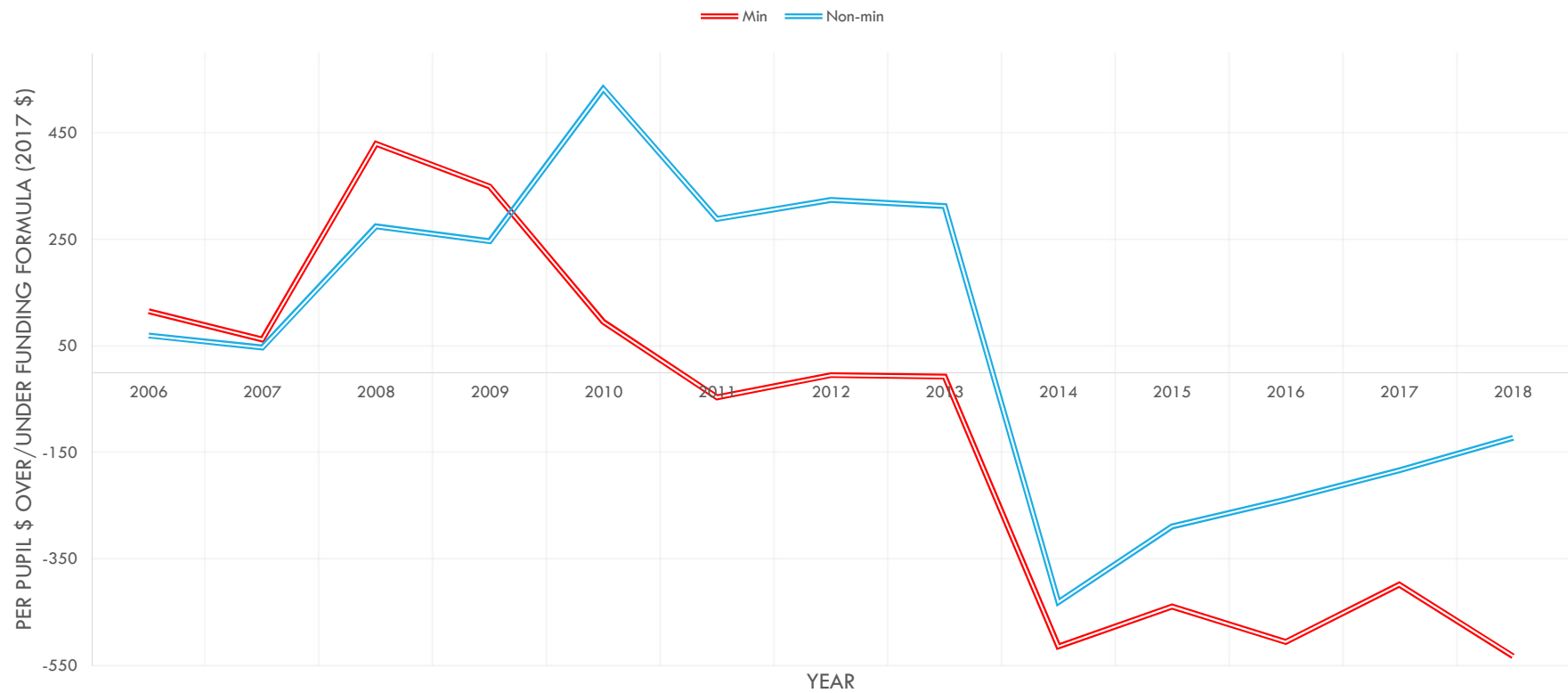
SINCE 2009: LOW INCOME STUDENTS MORE PENALIZED



LOW INCOME KIDS IN URBAN OHIO PENALIZED MOST



MINORITY KIDS PENALIZED



**CHARTER SCHOOL FUNDING EXACERBATES
INEQUALITIES CREATED BY CAPS...
OR DOES IT?**

CHARTER SCHOOL FUNDING IN OHIO IS “PASSED THROUGH” SCHOOL DISTRICTS

State funding of school districts starts with a base per-pupil amount of about \$6000

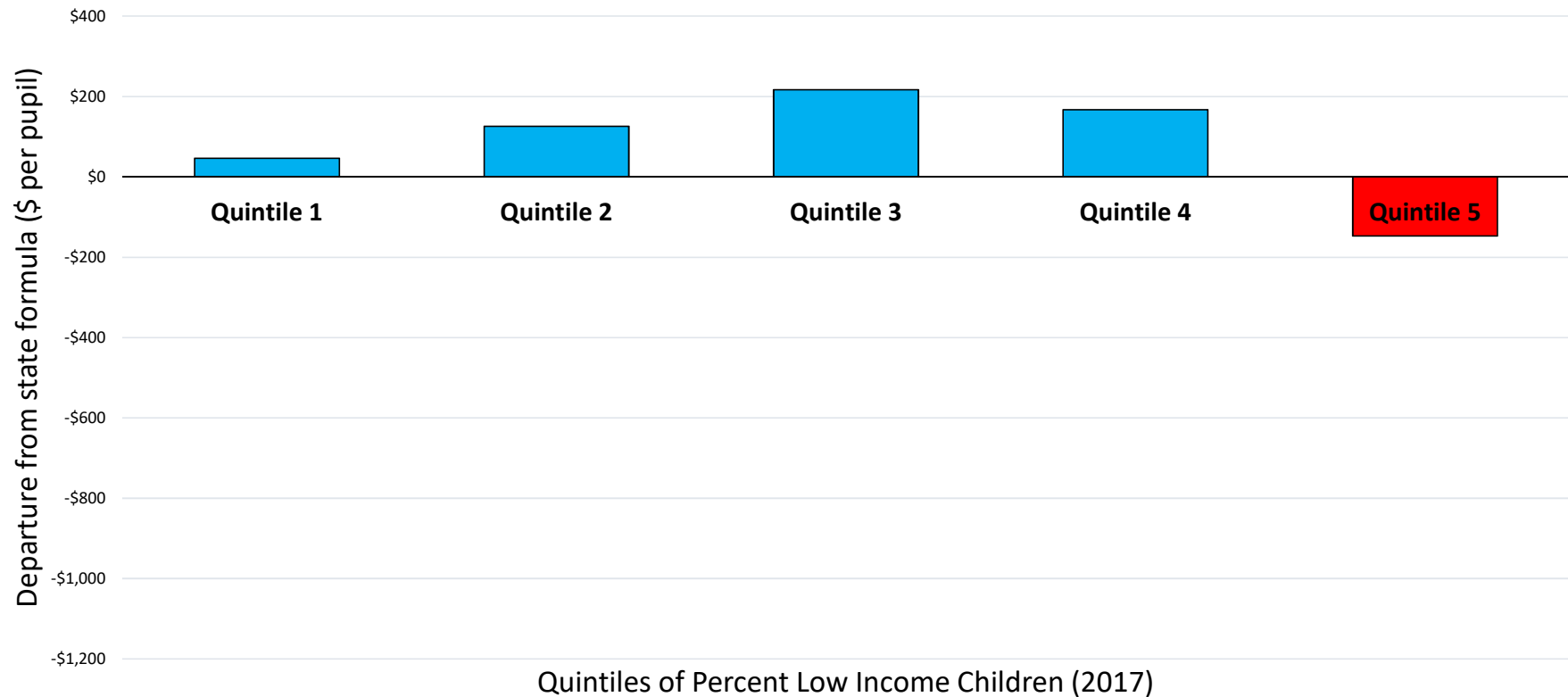
- Then, state reduces this base amount : $\text{Base Amount} \times \text{State share index}$
- State share index is based on district's capacity to pay. Ranges from 5% to 90% of base amount.

BUT: All Ohio school districts must pay charter schools the full per-pupil funding amount (approx. \$6000) for each charter school student in their district

- Capped districts receive less money per student from the state than implied by funding formula
- But they have to pay the full base per-pupil amount to charter schools

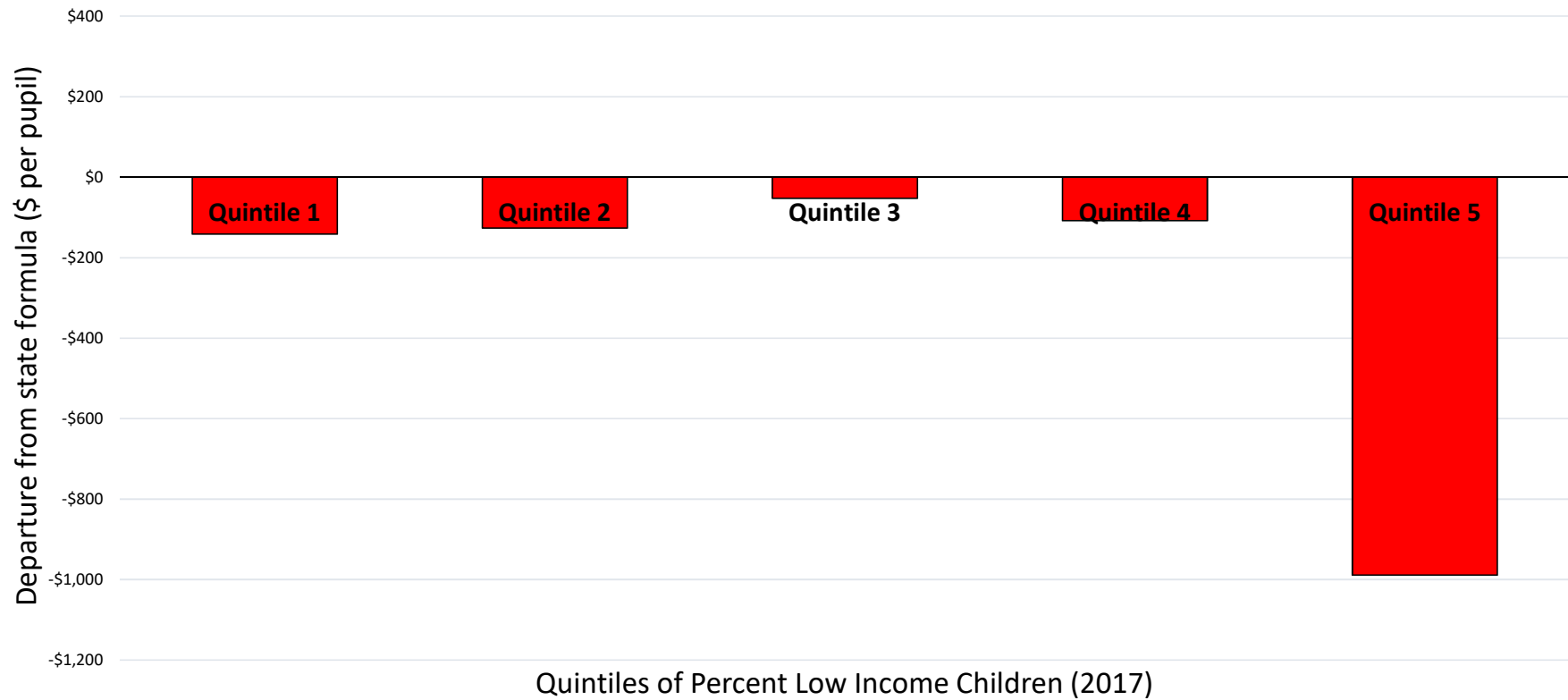
Result: further decline in state funding for students who remain in district public schools

COMPARE THIS: DEPARTURE FROM FORMULA BEFORE CS DEDUCTION (FY2018) BY PERCENT LOW INCOME STUDENTS



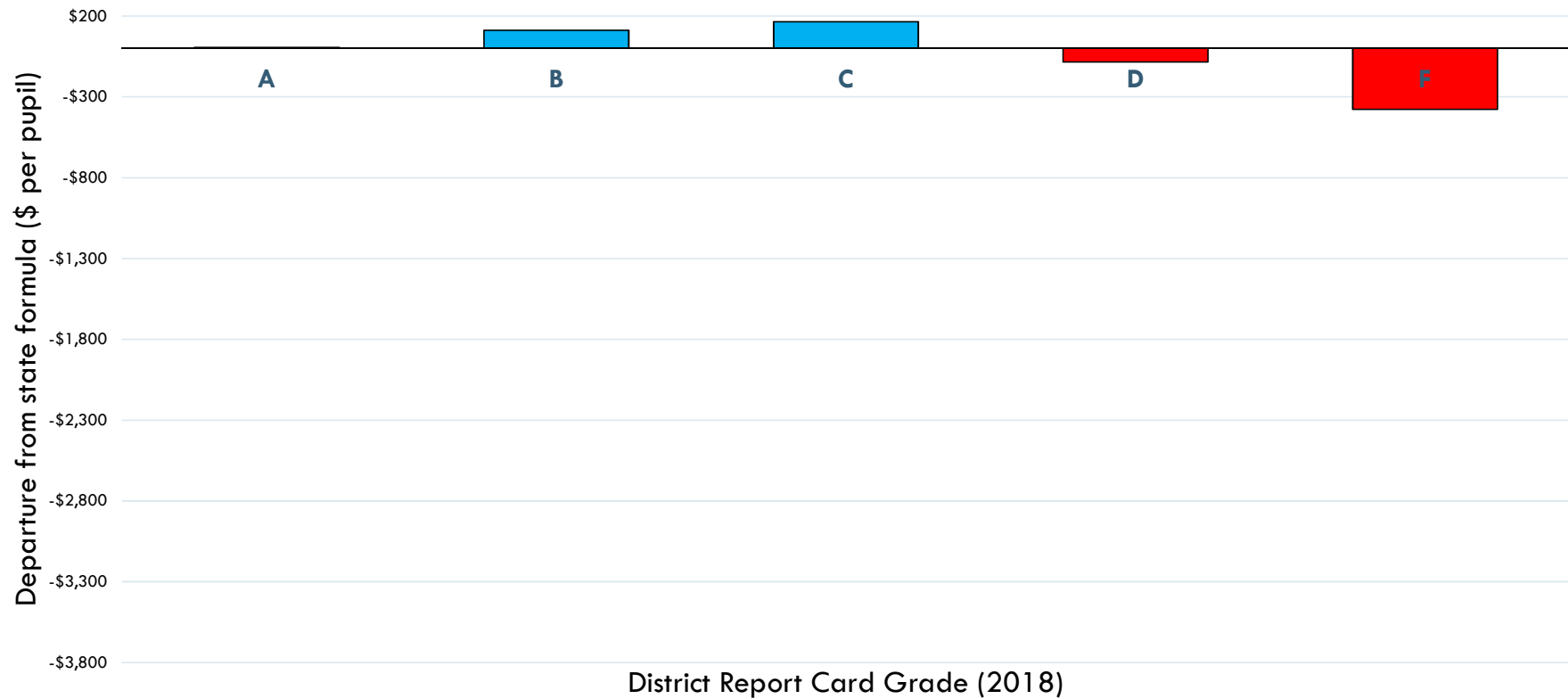
Source: Dept of Agriculture and ODE Foundation Funding

WITH THIS: DEPARTURE FROM FORMULA AFTER CS DEDUCTION (FY 18) BY PERCENT LOW INCOME STUDENTS

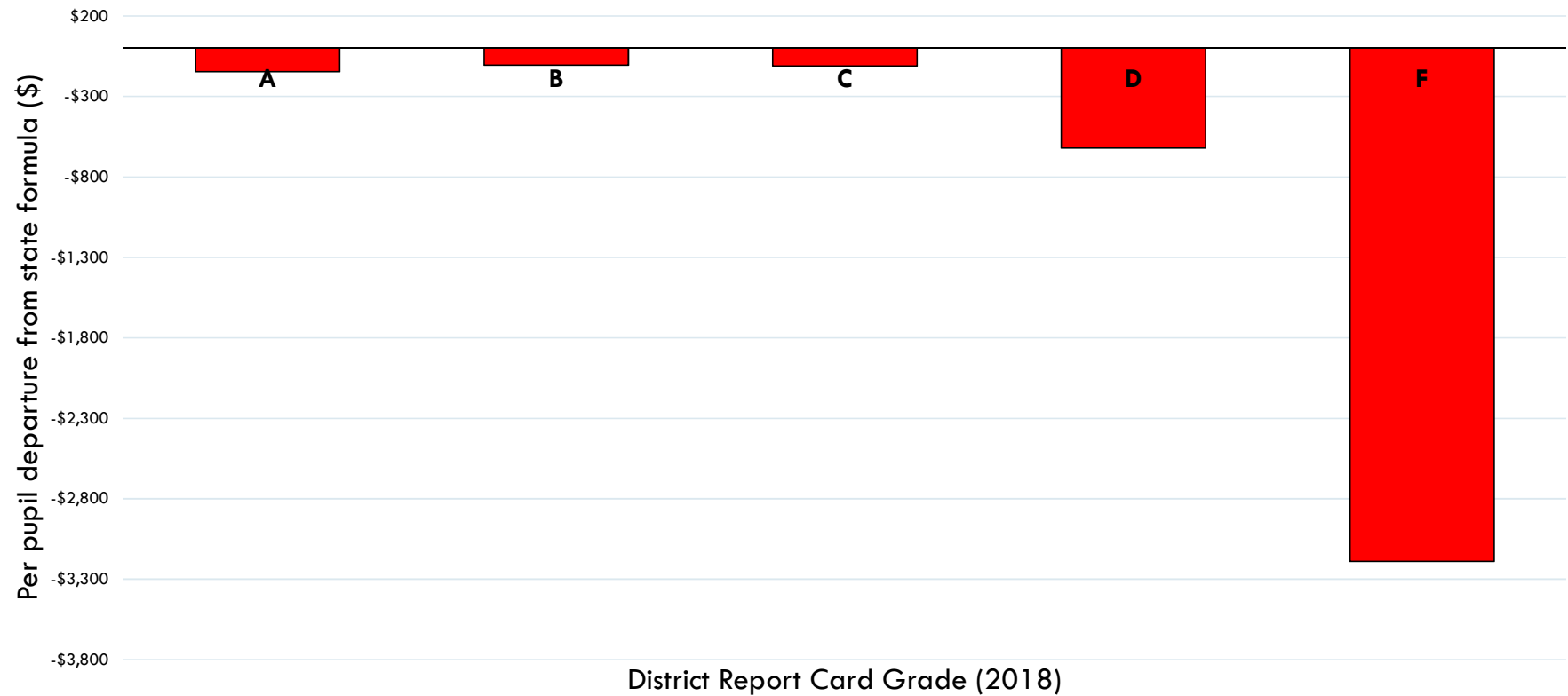


Source: Dept of Agriculture and ODE Foundation Funding

COMPARE THIS: DEPARTURE FROM FORMULA BEFORE CS DEDUCTION (FY 2018) BY DISTRICT REPORT CARD GRADE

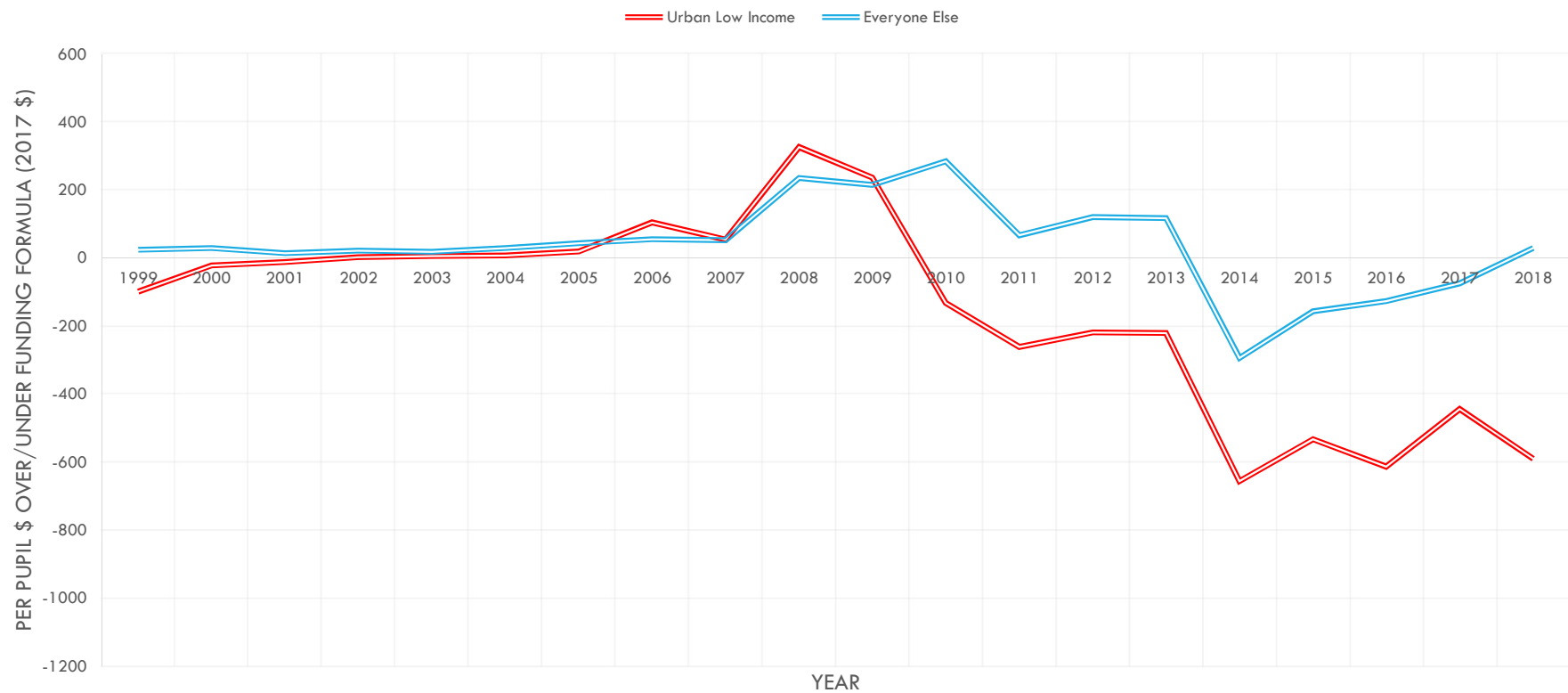


WITH THIS: DEPARTURE FROM FORMULA AFTER CS DEDUCTION (FY 2018) BY DISTRICT REPORT CARD GRADE

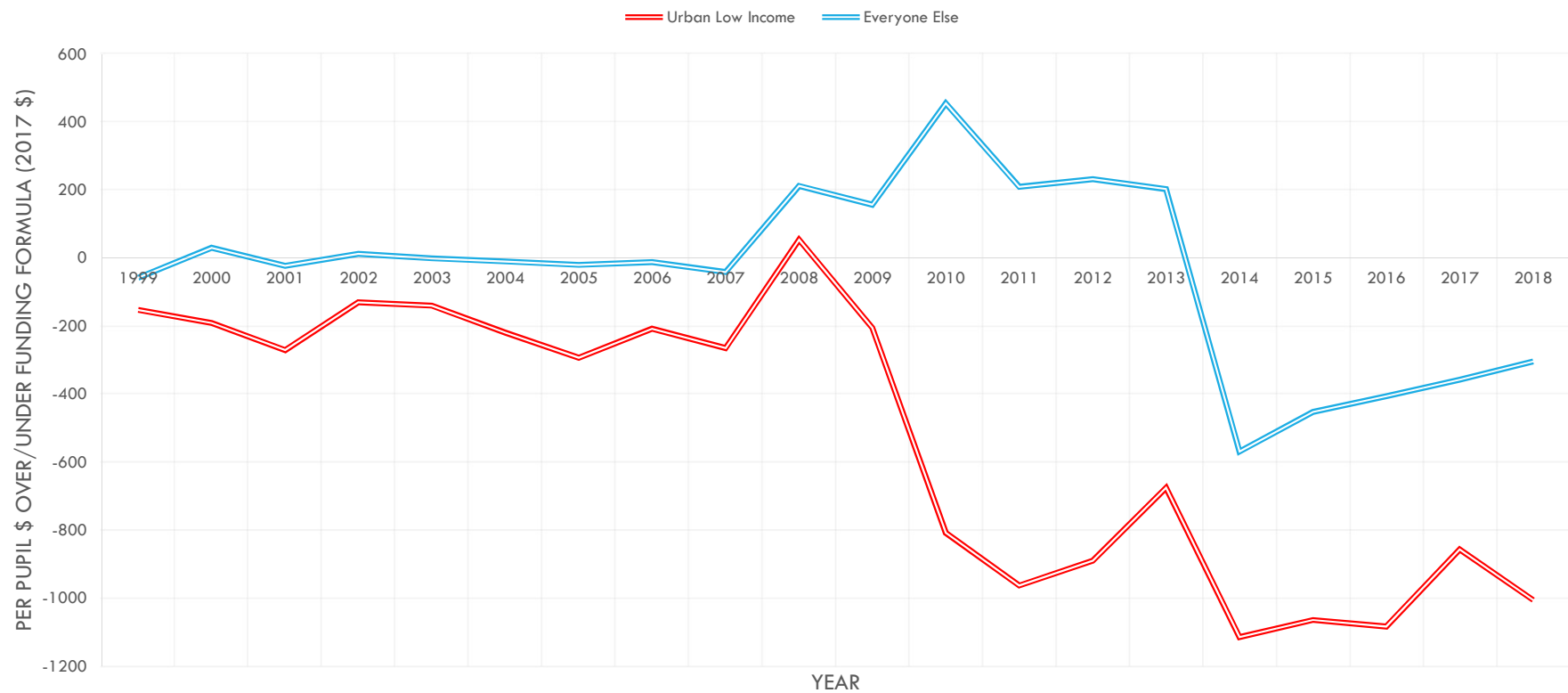


Source: ODE

COMPARE THIS: DEPARTURE FROM FUNDING FORMULA BEFORE CS DEDUCTIONS (URBAN LOW INCOME VS EVERYONE ELSE)



WITH THIS: DEPARTURE FROM FUNDING FORMULA AFTER CS DEDUCTIONS (URBAN LOW INCOME VS EVERYONE ELSE)



CAVEAT

Charter school funding is passed through

But at the same time, school districts are left with fewer students to educate

Result: Sometimes, per-pupil funding actually increases with the rise of charter enrollment


Working on this question empirically— but its effects (extent to which it really frees up money) also depend a lot on fixed vs variable costs, and on local politics

CONCLUSION

Caps and guarantees are arbitrary and inefficient

- ❑ They subvert the state funding formula
- ❑ Poor and minority students are the most under-funded

Ohio Fair School Funding bill proposes to eliminate caps and guarantees— this is the right thing to do



Simulation: what would happen to the per pupil expenditure ratio of bottom vs top if you got rid of caps (but kept charter schools)?

FUTURE QUESTIONS

How does state funding ameliorate funding inequalities generated by reliance on local property taxes? How has this changed over time? (This requires some assumptions bc local revenue raising also affected by state funding: when state \$ drops, cities put more levies on the ballot)

APPENDICES

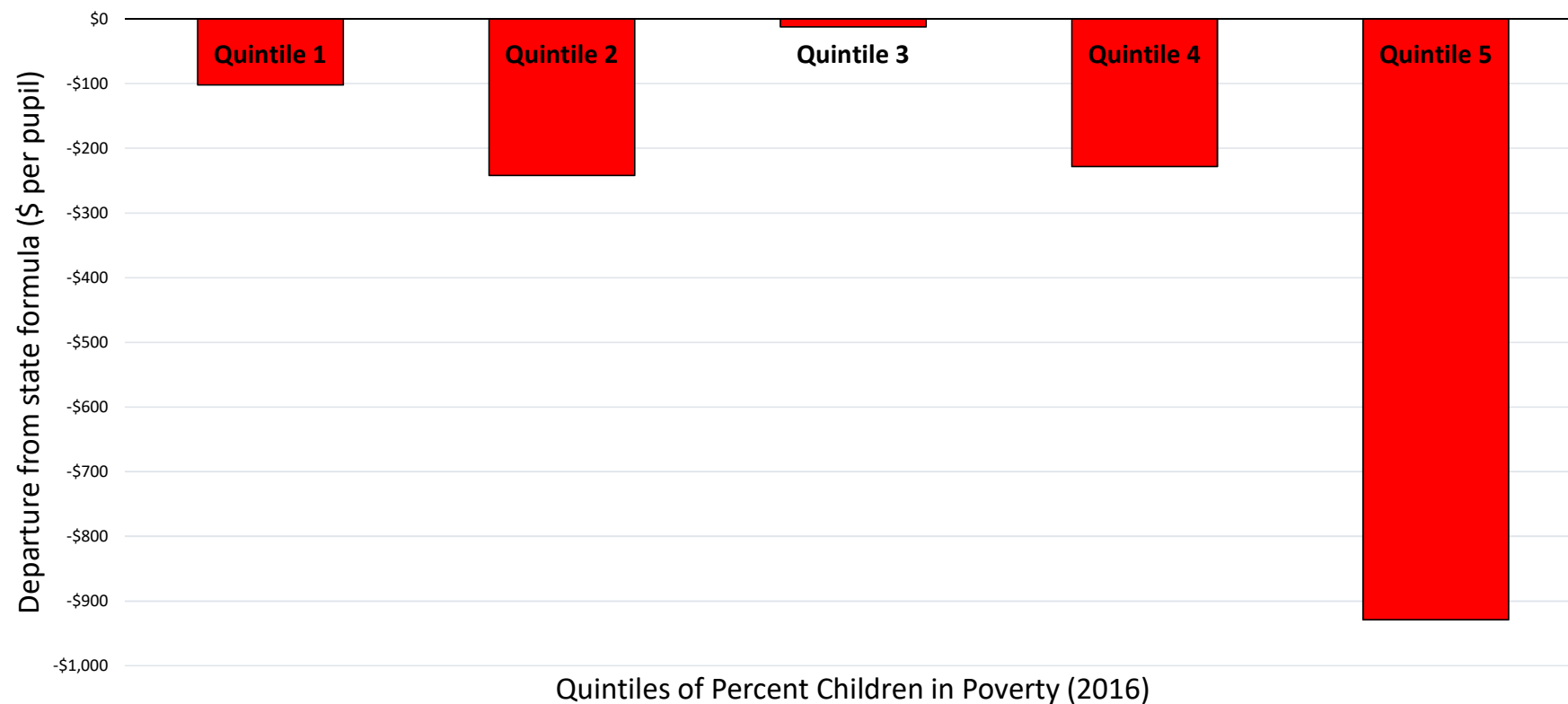
For those who want to see more ways of slicing the data

APPENDIX A:

**DISTRICT STRESSOR PLOTS,
AFTER CHARTER SCHOOL DEDUCTIONS**

DEPARTURE FROM FORMULA AFTER CS DEDUCTION (PER PUPIL, 2018)

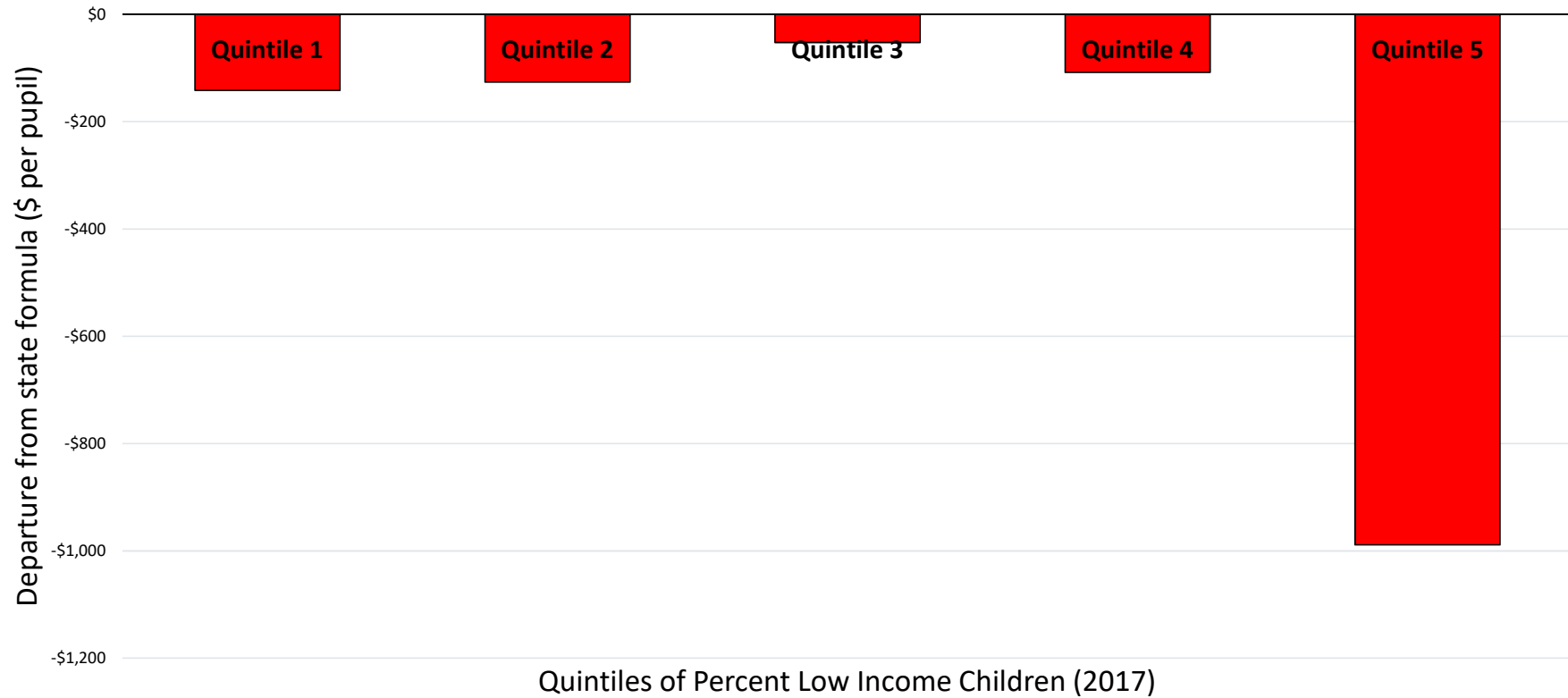
BY PERCENT STUDENTS IN POVERTY



Source: Census Bureau and ODE Foundation Funding Report

DEPARTURE FROM FORMULA AFTER CS DEDUCTION (PER PUPIL, 2018)

BY PERCENT LOW INCOME STUDENTS



Source: Dept of Agriculture and ODE Foundation Funding

APPENDIX B:

**PERCENT REDUCTION IN STATE FUNDING
BY DISTRICT STRESSORS,
BEFORE CHARTER SCHOOL DEDUCTION**

APPENDIX C:

**PERCENT REDUCTION IN STATE FUNDING
BY DISTRICT STRESSORS,
AFTER CHARTER SCHOOL DEDUCTION**

APPENDIX D:

OVER TIME PLOTS

PERCENT DEPARTURE FROM FORMULA FUNDING

Cut this? Keep it for an
appendix?

POLITICAL BACKGROUND ON FUNDING HERE

DeRolph IV handed down in May 2003

- Ohio Supreme Court ruled school funding system unconstitutional, but dropped jurisdiction

Different Governors:

- Voinovich: Governor during first DeRolph cases.
- Taft (1999-2007): expanded funding, especially on buildings
- Strickland (2007-2011): reformed funding formula, but never fully funded
- Kasich (2012-2019): more changes to funding formula after 2014, but also tax cuts
- DeWine: School Funding Reform? We'll See....