

Funding Ohio Schools: A New Day

Adequacy, predictability and equity must anchor any new school funding plan.

Since its creation in 2006, Philanthropy Ohio's Education Initiative has asserted that every child – regardless of ZIP code, gender, race or ability – deserves an education that leads to successful employment in the 21st century economy. In our seminal 2006 report, *Education for Ohio*, we called for the state **to fundamentally redesign the K–12 education funding system so that schools and districts have equitable, stable and predictable revenues.**

While some progress has been made in the last decade, events of the past year have revealed the extent to which inequality still exists in Ohio's public K-12 schools. 2021 is the time to move forward, establishing a school funding plan that will mean the difference between a just and prosperous Ohio or one that moves backward while other states move ahead. If not now, when? Ohio must create a school funding plan that works for *all* Ohio students. Today, we firmly believe that the state needs to make significant new investments to meet the needs of students and to close the disparities in student outcomes.

PERCENT OF OHIO STUDENTS WHO DO NOT GRADUATE HIGH SCHOOL IN 4 YEARS [1] (SUBGROUP)



	Black	Hispanic	White
% Ohio K-12 students chronically absent [3] (subgroup)	22%	15%	8%
% Ohio high school graduates [2] (total)	14.9%	4.8 %	77.7%
% first-time students at an Ohio public college or university [2] (total)	10.2 %	1.8%	73.9%
% Ohioans ages 25-64 with at least an associate degree [4] (subgroup)	27%	27.5%	42%

A laser focus on equity of funding can address racial and economic disparities and level the playing field so that all students have better education outcomes. Increased investments and a focus on equity also will help to achieve Ohio's education five-year strategic plan, *Each Child Our Future*, which holds equity as one of three core principles. This shared plan that ensures "each student is challenged, prepared and empowered for his or her future by way of an excellent prekindergarten through grade 12 education" is the result of extensive work by more than 150 partners – including Philanthropy Ohio – and about 1,200 citizens who attended one of 13 regional meetings held across the state to develop and review the plan: it is truly a plan built

Philanthropy Ohio is the statewide association that builds the skills, knowledge and connections among grantmaking organizations, helping them to become more effective, strategic and efficient in their efforts to support nonprofits and communities. Our 200 members – who collectively hold more than \$58 billion in assets – invested over \$1.9 billion in their communities. Ohio's philanthropies have a strong, long tradition of supporting education, granting more than \$845 million in 2018. These investments in projects and programs result in learnings that lead to systems change in their local districts and to policy recommendations at the state level.

A SNAPSHOT OF OHIO STUDENTS (2019-2020) 1,712,788 TOTAL ENROLLMENT

RACE & ETHNICITY	PERCENT
American Indian or Native Alaskan	0.1%
Asian or Pacific Islander	2.7%
Black, non-Hispanic	16.5%
Hispanic	6.4%
White, non-Hispanic	68.7%
Multiracial	5.7%

DIVERSE LEARNERS	PERCENT
Students with disabilities	15.8%
English learners	3.6%
Economically disadvantaged	48.8%
Homeless	1.4%
Gifted	14.5%

Source: Ohio Department of Education <https://reports.education.ohio.gov/report/report-card-data-enrollment-by-student-demographic-state>

by Ohioans for Ohio students. Its focus on the whole child, four equal learning domains and 10 priority strategies means that each child's physical, social, emotional and intellectual needs are met. An equitable system means that each student has access to the appropriate supports in all four domains, with additional supports provided to those historically marginalized in an intentional effort to level the playing field.

Money matters

Research shows that the amount schools spend per pupil contributes to student success – or lack thereof. One study reports that “While we find small effects for children from affluent families, for low-income children, a 10% increase in per pupil spending each year for all 12 years of public school is associated with 0.43 additional years of completed education, 9.5% higher earnings, and a 6.8 percentage-point reduction in the annual incidence of adult poverty. In fact, a 25% increase over all school age years is sufficiently large to eliminate the attainment gaps between children from low- and high-income families.”[5] For example, for the Pleasant District in Marion County – the schools that spend the least per pupil in the state – a 25% increase of \$2,024 to \$10,121 would result in nearly half a year of completed schooling.

Studies support the notion that providing adequate funding – especially for disadvantaged children – is critical to improving student success. What remains unknown: what constitutes adequate and equitable funding? Although we do not have a specific number of what it costs, we do know from research that it is significantly more than we currently invest. If we are serious about addressing equity and preparing every student to be successful in the workforce, in life and

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as citizens then we have to invest. And, investing now can save money in the future as better student outcomes result in better-paying jobs and, in turn, reducing reliance on entitlement benefits like Medicaid, SNAP and housing as well as unemployment and incarceration costs.

How Ohio funds schools

Funding for schools in Ohio comes from three sources: the federal government, local taxes (primarily property but sometimes income-based) and the state general revenue and lottery funds. State funding for K-12 education has steadily risen over the last several years, from \$8.8 million in FY13 to \$10.9 million in FY20 (including \$275 million in student wellness and success allocation).

Variations in local property taxes – and citizens’ willingness to pass school levies – results in widely disparate per-pupil funding amounts across the state. And, the amount of property tax revenue that can be generated by local property tax rates for schools was fixed by HB 920 in 1976, limiting what schools receive from local sources. Since 2012-13, the Ohio Department of Education has been required to track and rank schools based on expenditures per pupil, providing data that show Ohio schools on average spend \$12,472 per pupil in operational expenditures. Urban districts have the highest per pupil expenditures (\$14,377) and small-town districts have the lowest average (\$11,044 per pupil). The national average in 2018 was \$12,612, putting Ohio very close to the national average but begging the questions of adequacy and equity.

The current proposal

Philanthropy Ohio applauds the sponsors of the Fair School Funding Plan (HB 1) and the General Assembly leadership for prioritizing the need to revise the way the state funds K-12 education. We believe that more funding is needed to adequately support Ohio students in order to eliminate the racial and socioeconomic disparities, meet the needs of students who are disadvantaged, have special needs and live in rural districts. It is reasonable to expect that additional funding leads to better outcomes – while recognizing that such progress is long-term – and that local decision making about how such outcomes are achieved should be affirmed. It is also reasonable to expect all public schools to report regularly to all stakeholders on the progress they are making.

WHY A NEW PLAN IS NEEDED

Historically, Ohio schools have been funded by a combination of state revenue and local property tax dollars, resulting in educational disparities as more affluent communities provided more funding than their urban and rural districts with lower property values and taxes. In 1976, HB 920 effectively froze property tax revenue for schools as it required county auditors to cut tax rates to bring in the same amount of revenue year-over-year. In December 1991, a newly created Ohio Coalition for Equity & Adequacy of School Funding filed a lawsuit on behalf of Nathan DeRolph a 15-year old student at Sheridan High School in Thornville, and 550 school districts. More than 3 years later, on July 1, 1994, the presiding judge ruled that Ohio’s system for providing a state-funded education was unconstitutional and ordered the State Board of Education and General Assembly to eliminate wealth-based disparities. The state’s appeal of the ruling landed in the Ohio Supreme Court in September 1996; six months later, in a 4-3 ruling, the court declared that the funding system “fails to provide for a thorough and efficient system of common schools” as required by the Ohio Constitution and remanded the case to the trial court with a 12-month mandate for Ohio to solve the problem. In 2000, 2001 and finally in December 2002, the Ohio Supreme Court declared the system unconstitutional in another 4-3 vote and ordered the state to find a way to fund schools – without a deadline and also relinquishing its jurisdiction.

Ohio’s primary response to the series of rulings was to create The Ohio Facilities Construction Commission in 1997 (now the Rebuilding Ohio’s Schools Program), allocating funds for school repairs and new buildings, since there was very little funding for school construction at the time and the issue of facility inequities and needs was part of the lawsuit. Since 1997, this program has completed 1,240 buildings in 303 (or just about half) school districts in the state and \$12,571,795,812 has been appropriated for building construction. [6]

Philanthropy Ohio believes that our school funding system should be:

- **Robust:** the state must invest significantly more dollars to assure all students have access to the opportunities and tools they need to succeed.
- **Equitable:** equity must be front and center as a goal of any new funding plan.
- **Predictable:** the new funding plan should be sustainable over time, assuring predictability to effect long-term progress.
- **Data-driven:** the new funding plan should define what it costs to educate students with different learning needs and assure funding is adequate to cover those costs.
- **Transparent:** the plan and how it will be implemented should be clear and available to all stakeholders.
- **Student-centered:** newly allocated dollars should be used to improve student outcomes, eliminate disparities and increase success for students who are underserved or disadvantaged.
- **Results-focused:** All schools must report on progress made over time.

Recommendations

- We ask the legislature to make significant investments in K-12 education, particularly for students of color, those living in low-income households or rural areas and those with other needs. We know the issue of how to fund the plan is challenging and the role of the legislature is to balance numerous, critical needs through careful expenditures that can be sustained over the long term.
- We support the direct funding to districts, community and STEM schools with its base cost formula.
- We ardently urge the General Assembly to prioritize the full funding of categorical assistance and not to phase it in over time. We believe that funds that support students living in disadvantaged circumstances, have special needs, are English language learners and rural district residents can address disparities in access and opportunity. While we applaud the increase from the current \$272 per student allocation for such students to \$422 we question whether this is a sufficient amount as research indicates that the same increase for different groups of learners and at different ages is neither the best nor an equitable approach.
- The General Assembly should create a commission to study what it costs to educate those needing categorical assistance, with a study completed by December 2021 and including actionable recommendations for priorities and funding levels.
- Funding should be flexible enough for local decision making and to accommodate multiple learning instructional models and programs.
- The plan should provide a reporting mechanism where the Ohio Department of Education collects, analyzes and releases information on the impacts that significant new investments make over time.

Notes:

1 Health Policy Institute of Ohio, K-12 Student Wellness and Health Equity, 2021

https://www.healthpolicyohio.org/wp-content/uploads/2021/03/BudgetFactSheet_K12.pdf

2 2020 Ohio Remediation Report for Fall 2019 Enrolling College Students (Spring 2019 High School Graduates)

https://www.ohiohighered.org/sites/default/files/uploads/reports/2020-Remediation-Report_FINAL.pdf

3 Health Policy Institute of Ohio, K-12 Student Wellness and Health Equity, 2021

https://www.healthpolicyohio.org/wp-content/uploads/2021/03/BudgetFactSheet_K12.pdf

4 Lumina Foundation, A Stronger Nation Ohio, 2021 <https://www.luminafoundation.org/stronger-nation/report/2021/#state/OH>

5 C. Kirabo Jackson, Rucker C. Johnson, Claudia Persico, The Effects of School Spending on Education and Economic Outcomes: Evidence from School Finance Reform, 2016

6 OFCC 2020 Annual Report

https://ofcc.ohio.gov/Portals/0/Documents/Resources/Publications/Annual%20Reports/2021_AnnualReport.pdf?ver=hvx2x6jEovjJlXfOs2DzLQ%3d%3d



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ABOUT PHILANTHROPY OHIO

Philanthropy Ohio is an association of foundations, corporate giving programs, individuals and organizations actively involved in philanthropy in Ohio. Its mission is to lead and equip Ohio philanthropy to be effective, powerful change agents in our communities. It provides the network, tools and knowledge to help people engaged in philanthropy become more effective, powerful change agents in their communities. Together, its more than 220 members hold over \$50 billion in as-sets and provide over \$4 billion in grants to nonprofit organizations that work to improve the lives of community residents.