

# The Budget Explained!! One Article

Tom Moscovic-Legislative Chair

## What the New Ohio Budget and School Funding Plan Will Mean for Public Schools

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The FY 2022-2023 Ohio budget is different than most biennial state budgets because folded into it is a new public school funding formula, developed over more than three years and adopted previously by the Ohio House but never enacted by the Ohio Senate. For those of you who worry about how public schools will fare under the new Ohio budget, the expert to consult is Howard Fleeter. In this post, I'll summarize Fleeter's analysis: *FY22-23 State Budget Recap: Ohio's New School Funding Formula, Voucher Changes and (yes, another round of) Income Tax Reductions*.

Howard Fleeter is Ohio's education funding expert. He has served Ohio's education advocacy community through the Ohio Education Policy Institute (OEPI), since its inception in 1997. Fleeter regularly provides analysis for the Hannah News Service in a newsletter known as *On the Money*. In Cleveland, *On the Money* is available for library card holders in the research databases at the Cleveland Public Library, but the publication is not even available in Clevenet member branch libraries. Sadly *On the Money* is paywalled, which means you'll have to trust me to summarize Fleeter's conclusions.

Warning: In Fleeter's new piece you cannot learn the answer to your primary question: How will my own school district fare during the upcoming biennium and beyond? And you won't find the answer to your other urgent question: How long can my district put off going to the ballot to try pass yet another local levy? On the other hand, Fleeter explains clearly and lucidly how the new budget and school funding plan will work.

Fleeter identifies the two essential components of Ohio's school funding formula as being adequate school funding and the equitable distribution of the state's contribution to the formula.

### How the New Budget Addresses the Need for Adequate School Funding

The first problem the new formula must address is the old formula's incapacity to measure how much money Ohio's 610 school districts need: "Ohio's most recent school funding formula, in place from FY14-FY19, did not employ any methodology for determining the base cost amount." The base cost is the formula's calculation of the amount of combined state and local funding needed to educate each of our state's roughly 1.7 million children and adolescents. Fleeter continues: "Instead, the legislature simply set the per pupil amounts based on how much money they chose to allocate to K-12 education, an approach that the Supreme Court rejected over and over in the *DeRolph* case. In FY19 this amount was set at \$6,200 per pupil... The House funding plan (whose formula for base cost was adopted in the final budget) utilized an inputs-based approach to adequacy which resulted in an average base cost amount of roughly \$7,200 per pupil, nearly 20% higher than the FY 19 figure..." Fleeter credits Ohio's new 2021 formula with the successful "development of an inputs-based methodology for determining the per-pupil base cost" for the first time since FY11.

What about other state investments beyond base cost? Unlike the Ohio Senate, the Ohio House in its proposed budget actually used up-to-date cost figures to determine how much school districts need for added categorical funding for students with disabilities, disadvantaged students, career-tech students, English language learners and gifted students. Sadly, although the House used accurate data, Fleeter reports that the House version of the budget called for \$0 increase in disadvantage aid in FY 22 and only 1/7th of the scheduled increase in FY23." And, "An economically disadvantaged student cost study included in the House version of the budget was removed in the final version..." The cost study, eliminated in negotiations with the Senate, was considered essential for identifying all the ways school districts should be providing additional support for students in communities where poverty is concentrated.

One positive: The old formula "included a 'gain cap' provision which limited annual increases in state funding to a pre-determined maximum percentage," but in the new budget, "The much-despised gain cap has finally been eliminated." The gain cap problem affected growing school districts, which deserve additional per-pupil state dollars when more and more students move into the community. This problem in the old formula had frozen state funding under a gain cap for 163 of the state's 610 districts. The final budget does protect a transitional hold-harmless guarantee for districts whose enrollment is falling.

Another positive: In the new budget the state "directly funds" vouchers and charter schools out of the state budget. Every time students leave for charter schools or take vouchers to a private school, the school district will no longer see a per-pupil charter school fee and the cost of each private school voucher extracted right out of the local school district budget. Fleeter writes: "This change has been 20 years overdue and brings Ohio in line with how most other states fund charter schools and voucher programs."

One potential problem. The new budget folds an important budget line from the FY21-FY22 budget, Governor Mike DeWine's Student Wellness and Success Program, into the current budget's Disadvantaged Pupil Impact Aid without additional funding. This program is "intended to provide resources to address nonacademic barriers to student success, including mental health services, 'wraparound services' such as dental, vision, and medical care, family engagement and support services, and after school programs and mentoring." Fleeter explains that the change "raises questions as to whether this funding stream will ultimately be spent on new initiatives to help reduce non-academic barriers to student success (as envisioned by Governor DeWine) or will simply be absorbed into the spending that districts are already incurring."

### **How the New Budget Addresses the Need for More Equitably Distributed School Funding**

The FY22-FY23 budget introduces a new mechanism for calculating each school district's capacity to raise the local portion of school funding: "The state and local share mechanism is by far the single most important driver of equity in Ohio's school funding formula. Property wealth has traditionally been the basis for the state/local share calculation because it is a reflection of school districts' varying local tax revenue capacity. However, it is essential that the income level of school district residents also be included because this is a reflection of the 'ability-to-pay' of district residents. Ability-to-pay is important in Ohio because the heavy reliance on school levies as a result of HB 920 (the state's local property tax freeze law) means that districts with lower income residents are less able to tap into whatever tax capacity they have by approving local levies."

The new state budget employs "an income factor which adjusts the local share downward (and the state share upward) in school districts with income levels below the statewide median income and does the reverse in districts with income levels above the statewide median income. The most current data available is used to make this calculation." Fortunately the final state budget incorporates the House version of the new local share calculation. The Senate budget "did not update the property value and income data, continuing to use 2014, 2015, and 2016 property value data and 2013, 2014, and 2015 income data. Had the Senate's funding formula been implemented in FY22 and FY23, the underlying data would have been 10 years old when it was updated in FY24 and FY25, which would have likely caused serious funding disruptions for many school districts."

### **One Huge Problem with the New School Funding Formula**

The final FY22-FY23 state budget school funding plan was a compromise between the House version built around the Cupp-Patterson Fair School Funding Plan and a new and much cheaper Senate proposal. Although many of the mechanisms of the House Fair School Funding Plan were finally incorporated into the budget, the plan's full six-year phase-in didn't make it.

Fleeter writes: "The most significant concern with regard to Ohio's new school funding formula is that HB110 (the final budget) specifies that the funding changes described above are only funded for the FY22 and FY23 school years. The funding formula developed by the Cupp-Patterson workgroup... called for a 6-year phase-in period. With the exception of Disadvantaged Pupil Impact Aid... increases in all funding components are correspondingly phased in at a rate of 16.7% in FY22 and 33.3% in FY23. However, under HB 110, there is no language which outlines further funding phase-ins in FY24 and beyond."

The Legislature's added failure to phase in the 100% increase in Disadvantaged Pupil Impact Aid in FY22, as the House had proposed, and its failure to fund the House's proposed cost study of the needs of economically disadvantaged students will only exacerbate the threat that the new formula once again will fall far behind what students need. There is good reason to fear that despite the best intentions of the legislators and experts who developed the Fair School Funding Plan over more than three years, this budget, will fail to address the needs of the state's poorest children and will, as time passes, perpetuate long-running inequity.

### **One more thing... All the Ways the Legislature Expanded EdChoice Vouchers**

The leadership in the Ohio Senate is devoted to expanding school privatization, and EdChoice vouchers are one place where the Ohio Senate left a big mark on the new state budget. In his report last week, Fleeter simply lists all the ways the Legislature used the new FY22-FY23 budget to expand the state's investment in one of its largest school voucher programs—EdChoice. The size of each K-8 voucher will grow from \$4,650 to \$5,500 and for each high school voucher from \$6,000 to \$7,500. The legislature altogether eliminated "the cap on the number of EdChoice vouchers... which had previously been set at 60,000." EdChoice vouchers are for children in the attendance area of a school on an eligibility list based on academic performance, but in the new budget all siblings of students who currently have a voucher are available wherever they live. Students will also be eligible for EdChoice if they live in the attendance area of a public school that ranks in the lowest 20 percent on the State School Report Card Performance Index. While there used to be a 75 day window for submitting an application for an EdChoice voucher, there is now "a rolling window with no closing date."

And finally and most alarming, the new budget has begun “phasing out the requirement that students must have attended a public school in the year prior to qualifying for an EdChoice voucher. “This criteria had already applied to high school students (including incoming 9th graders) and will now be extended over a 4 year period to include K-8th grade students. By the FY26 school year no student would be required to have attended a public school in the year prior in order to be eligible to receive an EdChoice voucher.”

With the Legislature’s having reduced myriad limitations on eligibility for EdChoice vouchers, eliminating the cap, and making the application process open ended, one wonders how the overall budget for this program can possibly be anticipated or controlled.

That’s why, the *Columbus Dispatch*’s [Grace Deng reports](#): “A coalition of 75 Ohio public school districts planning to sue the state over the EdChoice school voucher program said Monday the newly enacted state budget was an ‘assault’ on public schools.”

<https://janresseger.wordpress.com/2021/08/04/what-the-new-ohio-budget-and-school-funding-plan-will-mean-for-public-schools/>