

Local Schools

State governments are responsible for the organization, management and financial support of primary and secondary education in the United States.

In Ohio, the General Assembly has delegated most of the day-to-day operations of schools to independent government units. In 2017, there were 1.7 million students enrolled in kindergarten through grade 12 in 610 city, local, and exempted village school districts; 49 joint vocational school districts; approximately 370 community schools (also known as charter schools); the Ohio School for the Blind and the Ohio School for the Deaf. There are also 52 educational service centers, which provide leadership, technical assistance and other services to member school districts and community schools

Governance

School districts and educational service centers are governed by nonpartisan elected boards. Board members are elected to four-year overlapping terms. The few current exceptions are in Cleveland, Youngstown and Lorain. The Cleveland mayor appoints the board of education for the Cleveland Metropolitan School District and that board appoints a chief executive officer, with the concurrence of the mayor. Youngstown City Schools and Lorain City Schools are the first and second school districts in the state declared to be in “academic emergency.” While under the declaration, the districts are governed by an academic distress commission appointed by the state Superintendent of Public Instruction.

The governing boards of joint vocational school districts are appointed by the boards of education of the member school districts. The community school equivalent is a governing authority typically made up of trustees who developed the school. New start-up community schools have at least five individuals on their governing authorities. Conversion community schools, which are created from existing traditional schools but operate independently, have three individuals on their governing authorities.

Elected boards and governing boards or authorities are generally responsible for hiring a superintendent or chief academic officer, teachers and other necessary personnel; oversight of facilities, equipment and educational materials; and policy-making, including the approval of an annual budget. The boards of school districts, joint vocational school districts and educational service centers can propose taxes for their schools’ support. Community schools do not have taxing authority.

Financing Schools

Funding for primary and secondary education is addressed in Article VI Section 2 of the Ohio Constitution, which says, “The General Assembly shall make such provisions, by taxation or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state.”

Funding Ohio’s school districts is a shared responsibility between state government and local boards of education, with some support from the federal government. Based on the latest data from FY2015, the percent of revenue allocated to public schools in Ohio, including community schools, was 43.3 percent from the state, 49.6 percent from local communities and 7.1 percent from the federal government.

Federal funds are distributed to states through laws such as the *Elementary and Secondary Education Act of 2015*, also known as the *Every Student Succeeds Act*, which supports disadvantaged students, teacher and principal training, homeless students, students of military families, school improvement and more. Federal funds also support special education, the National School Lunch Program, career technical education and more.

State Funding

State aid for school districts is calculated and distributed through the School Foundation Program. Every school district participates in the program. To qualify, a school district must levy a minimum of 20 mills (which is .02 of total assessed valuation) for current operating expenses, including any joint vocational school operating millage; meet the minimum hours of operation in which students are in attendance and comply with state laws.

The General Assembly determines the distribution formula, which is included in the state’s biennial operating budget in odd numbered years. While most of the state funds are allocated from the state’s General Revenue Fund (GRF), funds are also allocated from the state lottery fund (SLF); dedicated purpose funds (DPF); and internal service activity (ISA).

Within the FY18-19 budget, funding for the Ohio Department of Education is \$11.16 billion in FY18 and \$11.3 billion in FY19. This represents 43.8 percent of total state appropriations. Close to 98 percent of the funds allocated to the Ohio Department of Education are distributed to schools. The estimated total funding for school districts increased from \$8.003 billion in FY17 to \$8.075 billion in FY18, and will increase to \$8.165 billion in FY19. Lottery profits are projected to reach \$1.1 billion each year of the biennium, which represents about 10.4 percent of schools’ spending in FY18 and 10.2 percent in FY19.

School districts also receive reimbursement payments or credits from the state for lost revenue from changes in Ohio tax policies, such as the elimination of the

tangible personal property tax, and for tax relief programs, such as the homestead exemption program. Since 2013, however, the state no longer reimburses school districts for the residential 2.5 percent and general 10 percent roll backs on locally levied property taxes.

The first School Foundation Program was adopted by the General Assembly in 1935. The current school funding formula has continued to evolve over the past biennial budgets, but still provides school districts a basic amount of state aid. This “core opportunity aid,” is multiplied by student enrollment. That amount is adjusted for each school district based on its capacity to raise local revenue, including property wealth and income wealth — factors used to calculate the state share index, or SSI. The purpose of the formula is to provide school districts with lower property values and personal income with more state aid than school districts with higher property values and personal income.

The foundation program includes funding for core opportunity aid; targeted assistance and capacity aid, which provide additional funds to school districts with low property values and low income; the K-3 literacy initiative; economically disadvantaged students; students with limited English proficiency funding; gifted students; transportation; special education and career-technical education.

The formula includes the Transitional Aid Guarantee that assures school districts will not lose state aid from year to year unless they have lost enrollment, but also applies a gain cap, limiting the amount of state aid increases that a school district can receive, even when enrollment increases.

While lawmakers increased the per-student core opportunity grant in July 2017 from \$6,000 in FY17 to \$6,010 in FY18 and \$6,020 in FY19, other changes in the formula offset the revenue increases. Out of the 610 school districts, 221 were flat-funded, 147 lost funding compared to 2017 and 242 school districts gained between 0.1 percent to 5.9 percent in funding in FY18-19.

The General Assembly’s funding for school districts has varied over time, but over the past decade, cuts and inflation have reduced state aid to schools. According to Policy Matters Ohio, state funding for schools, adjusted for inflation, has decreased an estimated 7.6 percent between 2010 and 2019.

Local Funding

Local boards of education adopt annual budgets, which allocate state funds and locally-raised tax revenue to support their education programs. School districts also receive funds from casino revenue, grants, student fees, rental/sale of property, gifts and donations.

Although the Ohio Constitution delegates to the General Assembly the authority to provide a “thorough and efficient system of public schools,” local communities have provided funds to support education since the adoption of the Land Ordinance of 1785.

School districts raise revenue for elementary and secondary education programs locally through taxes on real property and public utility tangible property, and through a school district income tax.

Real Property Tax: Real property includes buildings and land owned by businesses and individuals, and is assessed at 35 percent of its market value. Real property includes residential, agricultural, commercial, industrial and other types of property. Total assessed valuation per pupil, which is the real property wealth of a school district divided by the number of students in a district, is one way to determine the capacity of a school district to raise local revenue. In Tax Year 2017 the Campbell Local School District in Mahoning County had the lowest taxable property value of \$49,518 per student, while the Genoa Area Local School District in Ottawa County had the third highest taxable valuation of \$866,746 per student. Kelley’s Island and Put-In-Bay had the highest valuations, because they have very low enrollments.

The tax rate applied to real property is measured in millages or “mills,” as explained on page 85. Statewide, school districts receive revenue generated from between 2 to 8 inside mills. Inside mills can grow with inflation when property values increase due to reappraisals.

School districts have a variety of options to raise outside mills, depending on the use of the revenue. A general levy raises revenue for operating expenses or permanent improvements. An emergency levy is limited to 10 years and raises a specific amount of revenue. A bond issue raises revenue for school construction. Other levy types include capital improvement levy, dual-purpose levy, county financing district levy (which is used by educational service centers), incremental levy and growth levy. The property tax reduction factor discussed in the previous chapter applies to most levies but not those that raise a specific amount of revenue, such as an emergency levy.

Ohio school districts raised approximately \$10 billion on property valued at \$254 billion through operating levies, including emergency levies and joint vocational school operating levies in FY2017.

School District Income Tax: School districts, with voter approval, can also raise revenue through a school district income tax. Boards of education can propose one of two types. For a traditional tax base, the board may levy a tax on the income of school district residents and estates of decedents. For an earned income tax base, the board levies a tax only on earned income and self-employment income of residents, while it excludes income from interest, dividends, capital gains and pensions.

Of the 610 school districts, 193 employed school district income taxes, raising a total of \$426 million in FY2017.

Casino Revenue: School districts, community schools, vocational schools, and

educational service centers in Ohio also receive funds from the County Student Fund, which includes 34 percent of the taxes raised from Ohio's four casinos. The revenue is distributed to schools based on student enrollment. The amount distributed in FY17 was \$89.4 million.

Community Schools: Community schools are state-funded nonsectarian, nonprofit schools that are exempt from some state laws and administrative rules that traditional public schools must follow. The 122nd General Assembly authorized these charter schools under Chapter 3314 of the Ohio Revised Code, in 1997. The first community schools in Ohio opened in the 1998-1999 school year.

The state categorizes community schools as conversion schools or start-up schools. These schools can be "site based schools" or "internet-based schools." They serve specific populations of students, such as students in special education programs, students in gifted education programs, and students in dropout recovery programs; and they can focus on a specific curriculum, such as the arts. In the 2016-2017 school year, 362 community schools served 111,272 students, or about 7 percent of total student enrollment in public schools in Ohio. Enrollment in community schools reached its peak at 120,893 students in 2013-2014 and has been declining since, according to state records.

Aspects of community schools are controversial. The Coalition for Public Education filed a lawsuit, *Ohio Congress of Parents and Teachers, et. al.*, in the Franklin County Court of Common Pleas, challenging the constitutionality of community schools, in 2001. The League of Women Voters was part of the coalition.

The lawsuit alleged that the state's community school program violated the state constitution because community schools were not held to the same standards as public schools, were not administered by elected boards of education and local property taxes were being diverted to private operators of community schools without voter approval. The suit also alleged that the state had failed to enforce current laws governing community schools and had allowed private schools to convert to community schools in violation of state law.

After several lower court rulings, the Ohio Supreme Court decided that the state law authorizing the establishment and operation of community schools is constitutional, by a 4-3 margin in 2006. Since then, several other lawsuits have been filed regarding various actions of community school personnel, sponsors, boards, teachers, management companies, and more. Members of the Coalition for Public Education have worked with legislators to strengthen charter school law.

In 2018, site-based community school payments included funding for the core opportunity grant; targeted assistance; additional state aid for special education and related services; the K-3 Literacy Fund; economically disadvantaged students; limited English proficient students; career technical education; and the transportation fund, for community schools providing transportation (few do).

State funding for internet-based community schools is limited to core opportunity grant funding, additional state aid for special education and related services, and career technical education.

However, community school funding is not straightforward and remains controversial. Ohio counts community school students as members of the school district in which they live. The state then deducts payments from each student's residential district foundation account and directs the payments to the community school the student attends. The state relies on community schools to report student enrollment and deducts money from the residential district monthly.

As explained earlier, the state pays each school district a core opportunity grant amount that has been lowered by the state share index (SSI). But the state deducts and pays each community school the full core opportunity grant per student without applying SSI. That means that more money is taken away from school district state accounts than the districts receive for each community school student. The result is that the state pays more per community school student in each given district than it pays per public school student in the district.

In the Columbus City Schools district, the state school funding contribution was about \$3,900 per student but the state took away \$7,800 per community school student, according to a 2015 report by the left-leaning think tank Innovation Ohio. The loss dropped per-pupil state funding to the students who remained in Columbus Public Schools to \$2,604.

Community school supporters argue the funding system is fair because community schools can't raise local taxes. Supporters of traditional districts argue that the districts not only have less money to support their students but that local taxes they raise to fill in for the lost state money are in reality subsidizing community schools.

This method of funding community schools has been criticized for its lack of transparency. The total state aid reported for school districts is higher than the actual amount that the school district receives from the state, because it includes funds that are transferred to community schools and voucher programs; and the total cost for operating community schools is not directly reported or itemized in the state's biennial budget.

In FY18-19, \$2 billion will be deducted from school district revenue and transferred to community schools.

Other ways the state supports community schools include:

- If a community or private school does not provide transportation but the district has a transportation system, Ohio requires the student's residential district to transport the student and pay the cost
- Paying the school an amount per student for facilities expenses
- Providing loans to purchase or renovate facilities through the Ohio

Community School Classroom Facilities Loan Guarantee Program, operated by the Ohio Facilities Commission.

- Providing funding through Community School Classroom Facilities grants

Community schools, college preparatory boarding schools, and STEM schools have the right of first refusal to lease or buy unused public school facilities. School districts must give priority to high performing community schools and STEM schools meeting certain conditions to purchase or lease unused public school facilities.

From 1998 to 2018, 614 community schools have opened and 294 have closed, according to the Department of Education.

Voucher Programs: The 121st Ohio General Assembly enacted into law the Cleveland Scholarship and Tutoring Program (CSP) in 1995, after many failed attempts during the early 1990s to approve a voucher law. This program provides public funds for students in the Cleveland Metropolitan School District to attend private schools or schools in other school districts, or receive funds for tutoring.

Coalitions of education and advocacy organizations challenged the law as unconstitutional and won in the Ohio Supreme Court in 1999. The General Assembly quickly passed the program in another bill that year, which was immediately met with court challenges from the same coalition.

The U.S. District Court for the Northern District of Ohio and the Sixth Circuit Court of Appeals ruled the program violated the separation of church and state created by the Establishment Clause in the First Amendment to the Constitution. At that time over 80 percent of participating private schools had a religious affiliation.

The state appealed and the U.S. Supreme Court overruled the lower courts by a 5-4 decision in 2002. The majority said the program has a valid secular purpose, state funds go to parents and not the schools, the program covers a broad class of beneficiaries, the program is neutral with respect to religion and the program provides adequate nonreligious options.

Since that decision, the General Assembly has approved four additional voucher programs: the Autism Scholarship Program (2003), EdChoice (2005), the Jon Peterson Special Education Scholarship (2011) and the Educational Choice Expansion Program (2013). Students enrolled in these programs must take pertinent state exams to maintain eligibility.

Ohio lawmakers also passed a law authorizing the opening of a boarding school for at-risk students, which is also financed by public funds, but so far no school has opened.

In 2016, Ohio's voucher programs served 39,904 students, leaving at least 21,000 unused vouchers, and cost \$236 million. The state deducts funding for EdChoice, the Autism Scholarship Program, and the Jon Peterson Special Needs Scholarship Program from the school district of the voucher recipient. The state created a

dedicated fund for the CSP. The EdChoice Expansion program is directly funded by the state based on student enrollment, but is limited to \$38.4 million in FY18 and \$47.7 million in FY19.

The maximum amount the state pays for student scholarships under CSP and EdChoice is \$4,650 for grades K-8 and \$6,000 for grades 9-12, or the school's tuition, whichever is less. The maximum for the Jon Peterson or Autism Scholarship programs is \$27,000 per student.

State Support for Nonpublic Schools: There were approximately 700 chartered private schools in Ohio in 2017. The Ohio Department of Education distributes funds allocated through the biennial budget to support privately operated schools. Private schools may use Auxiliary Services funds to buy books, computers and other equipment or hire clerks, school nurses or other personnel. The state allocated \$150 million to the fund for FY2018 and the same for FY2019. The schools may use Nonpublic Administrative Cost Reimbursements to pay for state-mandated administrative and clerical costs such as tracking voucher students, how the school spends state money and for state testing. The state allocated \$68 million in both fiscal years.

School districts must offer the same auxiliary services and perform the same administrative duties yet recently received substantially less from the state funds. In fact, Mark Gleichauf, superintendent of Brooklyn City Schools, testified to the Ohio House Finance Committee that under the 2017-2018 funding formulas, his district is one of 26 that receives less state money overall per pupil than St. Thomas More, a private Catholic school in Brooklyn. St. Thomas More received \$1,209 per pupil from the Auxiliary and Nonpublic Administrative funds, significantly less than the state's average payment of \$4,775 per pupil in FY2018. Brooklyn schools, however, received \$729 per pupil overall, despite the district's low income average, low property values and one of Ohio's highest school tax rates.

The DeRolph Decision

In 1997, the Ohio Supreme Court declared that Ohio's system of funding public education based on property taxes was unconstitutional and directed the legislature to create a more equitable school funding system. That new system has not been established to this date.

In March 2003, however, the Ohio Supreme Court ended the judicial debate over school funding in Ohio by granting a writ of prohibition, ordering the Perry County Court of Common Pleas to discontinue exercising jurisdiction over the DeRolph case. The decision assumes the General Assembly will create a constitutional school funding system.

As a result of the lawsuit, the case law generated in stages called DeRolph I and II, clearly affirms that the responsibility for securing a "thorough and efficient" system of common schools falls upon the state, and establishes "thorough and efficient" as

a high standard of quality for all schools.

The case led to the creation of a statewide program, now called the Ohio Facilities Commission, to build or renovate schools with the financial support of the state and local school districts. Since 1997 the state has allocated \$11.5 billion for classroom facilities and school, health, safety, and security upgrades. In partnership with school districts, 1,180 schools in 259 school districts affecting 650,000 students have been built or renovated.

However, some of the same issues cited in the DeRolph case, such as a high reliance on local property taxes to fund schools, or that state per-pupil funding has no relationship to an actual cost of a “thorough and efficient” education, remain.