

## CHAPTER 14:

# Education Funding and Policy

“Religion, morality and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.”

*The Northwest Ordinance of 1787*

From its earliest days to the present, education would take center stage as a public policy priority in Ohio. The earliest reference to public education by our national government appeared in the Public Land Ordinance of 1785. In this legislation, the Congress of the Confederation stipulated that revenue from the sale of a portion of each township in the newly created Northwest Territory would go to fund public education. Specifically, the ordinance dedicated 5 of the 36 lots in each township to be divided for governmental use with lot number 16 reserved solely for public education purposes. This legislation would provide the foundations of American land policy until the enactment of the Homestead Act in 1862.

If the Public Land Ordinance of 1785 provided a vehicle for selling and settling the land in the Northwest Territory, the Northwest Ordinance of 1787 addressed the political organization and needs of the new territory that would eventually become the states of Ohio, Indiana, Illinois, Michigan, Wisconsin, and Minnesota. It set the basis for Ohio statehood 16 years later and indeed for all states that subsequently followed it into the Union. This landmark legislation was also significant for its emphasis on the importance of public education, in addition to outlawing slavery and involuntary servitude in the region.<sup>1</sup> In 1851, the Ohio Constitution formally obligated the state to provide an education to each of its citizens.

More than 230 years after enactment of the Public Land Ordinance and the Northwest Ordinance, Ohio's public education system consists of 610 public school districts, 49 joint vocational school districts, and 370 public community schools enrolling approximately 1.7 million students in grades kindergarten through 12. The system also includes 52 educational service centers and 700 state-chartered nonpublic schools as well as several early learning programs and other regional educational providers. The governing board for Ohio's complex primary and secondary education system is a 19-member State Board of Education with 11 publicly elected members and eight others appointed by the governor. The appointed members were added during the administration of Governor George Voinovich in order to exert a measure of executive influence into the independent state board.

The State Board of Education appoints a Superintendent of Public Instruction, who serves as secretary of the board. The Superintendent directs a staff of approximately 550 permanent employees. The functions of the Ohio Department of Education include developing academic standards, administering state achievement tests, collecting other fiscal and performance data to improve accountability, issuing report cards on school and district performance, licensing and providing professional development opportunities for teachers and other school professionals, and administering school choice programs. One of the most important responsibilities of the department is the administration of the funding system for public schools.

Despite the expansion of the State Board of Education to include gubernatorial appointments, Ohio governors have continued to express frustration over their inability to exert a more direct influence on education policy. No doubt this has been in part as a result of the link between a governor's job performance and the important function served by public education. This debate reached a peak in 2018 when Governor John Kasich and then House Speaker Cliff Rosenberger led an unsuccessful effort to consolidate the departments of Education and Higher Education, along with the Governor's Office of Workforce Transformation, into a single cabinet-level agency. The proposal, which is discussed at the end of this chapter, would have radically reduced the powers of the State Board of Education, a constitutionally protected entity.

## ***DeRolph* and Its Aftermath**

In the 1997 landmark case *DeRolph v. State of Ohio*, the Ohio Supreme Court mandated that the General Assembly “must create an entirely new financing system” to meet the state constitutional requirement of “securing a thorough and efficient system of common schools.” However, more than two decades later, the underlying problem remains. Approximately 45 percent of all public school operating revenues comes from local sources, and about 94 percent of these moneys are derived from property taxes.<sup>2</sup> Lower property values in the state's poorer school districts yield an insufficient local funding base to provide their students with an adequate education. Accordingly, a significant disparity in educational quality continues to exist between the state's more affluent and low-wealth school districts. State efforts to equalize these differences in school district wealth have been notable since *DeRolph*, but they still fall short of providing the equitable results that were mandated in that case.

While the goal of developing and fully funding a “system of common schools” remains elusive, Ohio has made some measurable progress over the more than two decades since *DeRolph*. Progress has not come from a complete overhaul of the funding system to make it more adequate and equitable, as was the original intention of the court, but through simply infusing more funding into the broken system coupled with various attempts that tinkered with the funding models to the benefit of low-wealth districts. In the five years immediately following *DeRolph*, between FY 1997 through FY 2002, primary and secondary education operating funding from the state grew by an impressive \$2.26 billion, an annual increase of nearly 8 percent per year. During this relatively short time period, primary and secondary education's share of all state-source funds increased significantly, from 34.9 percent to 38.3 percent.<sup>3</sup> The Ohio Supreme Court relinquished its jurisdiction of the *DeRolph* case in 2002 after determining that the state had made a good-faith effort to change the funding of its public schools.

Even more progress was being made in regard to educational facilities. A 1996 Public Broadcasting

System documentary hosted by Bill Moyers, “Children in America’s Schools,” focused on the old and dilapidated condition of Ohio school buildings to the considerable embarrassment of state officials. The 1998 Tobacco Master Settlement and the subsequent securitization of its resources in 2008 provided a rich source of support to address the pressing need for improved school facilities. In the 20 years since *DeRolph*, the state committed fully \$11.5 billion to the building or renovation of some 1,120 school buildings serving 650,000 students. Funds have also been used for related facility purposes, such as for school security and the mitigation of lead in drinking fountains.<sup>4</sup> The 2019–2020 capital budget included an additional \$625 million for repairs, renovations, and new primary and secondary education facilities. While a boon for education, it was argued by health and anti-smoking advocates that a more appropriate use of the Tobacco Master Settlement funds, or at least a substantial portion of them, would have been for smoking prevention and cessation programs in order to reduce health care outlays on smoking related illnesses.

While Ohio school facilities now rank among the very best in the nation, progress on the operating front slowed perceptibly after FY 2002. In the nine years leading up to the start of the Kasich Administration, primary and secondary education funding growth averaged barely 1 percent per year. This was not entirely the fault of the Taft and Strickland administrations or the General Assembly, but was more a function of difficult economic times, particularly during the Great Recession. However, the major changes to individual and business taxes that were phased in beginning in 2005 also bear part of the blame for the shortage of available resources during this period. Most areas of state government fared even worse than primary and secondary education. As a result, education’s share of state-source funding actually increased from 38.3 percent to 40.7 percent between FY 2002 and FY 2011.

Under the leadership of Governor Ted Strickland, Ohio developed an “evidence-based” model for funding primary and secondary education centered on identifying the various components associated with educating a student. If fully implemented, this model would have addressed constitutional concerns regarding the provision of an adequately funded education system. This model is more fully described in Chapter 11. However, the fiscal realities of the Great Recession did not provide the resources necessary to even make a down payment to implement the new model, and it was quickly abandoned following Governor Strickland’s failed 2010 reelection bid.

As Governor John Kasich took office in January 2011, primary and secondary education had endured a sustained period of stagnant funding. Despite some attention to funding equity over the course of three gubernatorial administrations, disparities in funding between individual school districts in the state varied widely. Where you resided in the state still too often determined the quality of the education received, and hence student outcomes.

# Education Funding under Governor Kasich

EDUCATION MILESTONES OF THE KASICH ADMINISTRATION				
2012	2013	2015	2017	2018
Cleveland Plan for Transforming Schools	<ul style="list-style-type: none"> <li>• New Foundation Funding model adopted</li> <li>• School choice made available to low-income families regardless of their local school district's performance</li> </ul>	<ul style="list-style-type: none"> <li>• Legislation enacted to reform Ohio's troubled school choice sector</li> <li>• Academic Distress Commissions overhauled</li> <li>• Funding and participation in state-supported early childhood programs tripled</li> <li>• Ohio develops its own student assessments replacing those developed in cooperation with other states that were based on Common Core standards</li> <li>• New graduation pathways created</li> <li>• Program allowing high school students to attend college and university classes for credit is standardized and renamed College Credit Plus</li> </ul>	<ul style="list-style-type: none"> <li>• Funding and participation in state-supported early childhood programs tripled</li> <li>• New graduation pathways created</li> <li>• Program allowing high school students to attend college and university classes for credit is standardized and renamed College Credit Plus</li> </ul>	<ul style="list-style-type: none"> <li>• State's largest community school, the Electronic Classroom of Tomorrow (ECOT), closed</li> <li>• Ohio's College Advantage 529 plan for tax-deductible college savings extended to private K-12 education</li> <li>• Proposed consolidating the departments of Education and Higher Education and the Governor's Office of Workforce Transformation into a single cabinet-level agency</li> </ul>

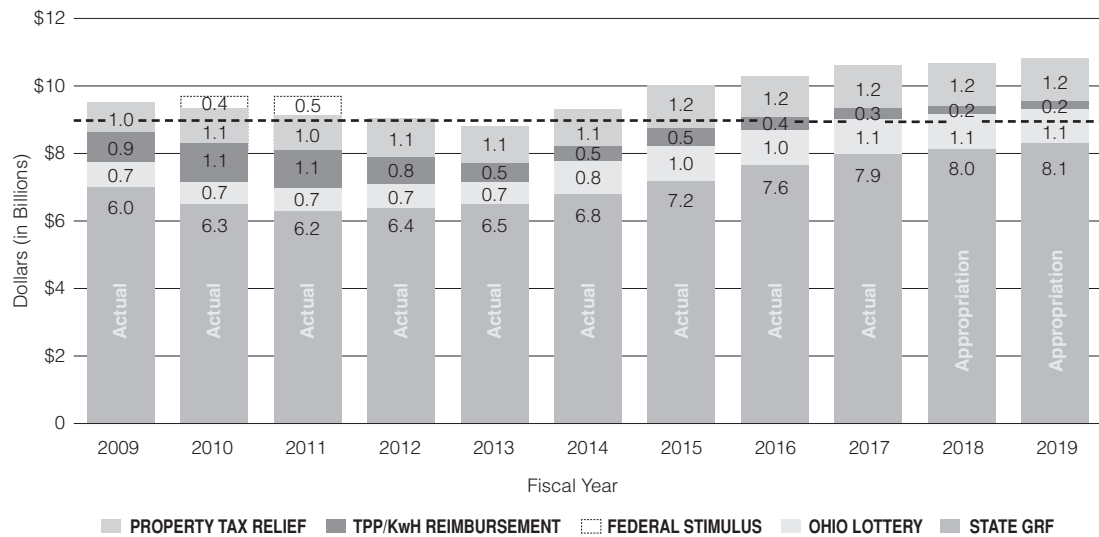
Primary and secondary funding steadily, if neither consistently nor dramatically, increased during the administration of Governor John Kasich. Despite a slight decline in statewide pupil enrollment, state-source funding increased by nearly one third (31.5 percent), or \$2.49 billion, over the eight-year period ending in FY 2019. Support for education was particularly robust during the economic recovery experienced in FY 2014 and FY 2015, when funding grew on an annual basis at 5.2 percent and 7.8 percent, respectively. More recently, Governor Kasich's final budget provided a much different picture when annual growth slowed to only 1.7 percent in FY 2018 and less than 1.5 percent in FY 2019. More than three-fifths of all school districts, or 374 districts, either received no increase in support or saw a reduction in their state funding.<sup>5</sup> However, these reduced levels of support need to be juxtaposed against overall state-source "funding growth" of (2.1) percent in FY 2018 and 2.3 percent in FY 2019. By the end of Governor Kasich's term, education's share of state-source funding had increased slightly from 40.7 percent to 41.9 percent.

These funding gains for primary and secondary education were largely illusory, however, not even keeping up with inflation when considering the dramatic reductions that occurred in tangible personal property and public utility personal property tax replacement payments to school districts that occurred during John Kasich's term of office. These payments, which declined by \$963.8 million between FY 2011 and FY 2019, were quite unevenly distributed across school districts depending on the size and location of the facilities that generated the tax revenues.<sup>6</sup>

Figure 14-1 depicts the major sources of primary and secondary education funding over the last de-

cade, including the General Revenue Fund (GRF), the State Lottery, tangible personal property and public utility personal property tax replacement payments (TPP/Kwh reimbursement), property tax relief, and federal stimulus. Although federal stimulus was not a state revenue source, it was available for more general spending than other federal funding that has been appropriated for education purposes.

**Figure 14-1: State Support for Primary and Secondary Education**



	STATE GRF	LOTTERY	TPP/Kwh REIM.	PROP. TAX RELIEF	FED. STIMULUS	TOTAL
Actual FY 2009	6,934,033,488	707,900,000	881,780,537	950,286,974	-	9,474,000,999
Actual FY 2010	6,276,118,370	745,000,000	1,121,205,247	1,057,127,330	417,567,145	9,617,018,092
Actual FY 2011	6,172,340,780	711,000,000	1,129,069,307	1,048,097,426	515,463,552	9,575,971,065
Actual FY 2012	6,409,095,026	717,500,000	759,915,156	1,074,778,419	(1,507)	8,961,288,095
Actual FY 2013	6,523,222,439	680,1500,000	510,073,809	1,110,399,461	-	8,824,195,709
Actual FY 2014	6,762,679,735	829,799,818	509,654,246	1,142,318,445	-	9,244,452,244
Actual FY 2015	7,246,516,701	1,027,283,084	509,467,946	1,156,206,504	-	9,939,474,235
Actual FY 2016	7,555,948,809	1,048,861,553	396,996,030	1,153,889,717	-	10,155,696,109
Actual FY 2017	7,873,631,736	1,077,203,689	289,681,570	1,151,777,062	-	10,392,294,057
FY 2018 Appropriation	7,988,711,535	1,106,630,000	207,311,667	1,180,084,800	-	10,482,738,002
FY 2019 Appropriation	8,117,425,393	1,107,630,000	165,229,141	1,199,315,000	-	10,589,599,534

Source: Ohio Department of Education Website, 2018.

While informative of spending priorities in the broadest sense, this global view of state education funding tells only a small part of the story. Breaking down the various components of the education funding formula is important in order to better understand how traditional school districts in Ohio were funded and supported during the Kasich Administration. Having a grasp of the education funding picture beyond the traditional school district is also important, as this is where much public policy has developed and evolved in recent years.

## Traditional School Districts

State support constitutes nearly half, or 48.9 percent, of all public school operating revenues in Ohio. More than four out of every five of these state-source dollars come from Foundation Funding. The goal of Foundation Funding is to equalize resources among school districts by providing increased state support to districts with lower capacities to generate local revenue. Local revenues, which constitute 45.5 percent of public school operating revenues, are largely a function of a district's taxable property value and effective property tax rates, although income has become an increasingly important factor in the 190 districts that had a school district income tax in 2018, most of which were in rural areas. Federal funds account for only 5.6 percent of all public school operating revenues. They are dedicated primarily for special education and economically disadvantaged students.<sup>7</sup>

In FY 2019, more than \$8 billion in Foundation Funding was distributed to Ohio's 610 public school districts, of which \$6.9 billion was from the General Revenue Fund (GRF) and \$1.1 billion was from the State Lottery Fund. The latter amount was contingent upon lottery profits reaching this level, which was increased by nearly \$37 million over the original Executive Budget projection. Lottery profits were earmarked on a permanent basis for education through a 1987 constitutional amendment, although they have been designated for that purpose since the Lottery's creation in 1973. Since 2012, profits from video lottery terminals (at Ohio horse racetracks, or "racinos," have likewise been provided to schools. When both GRF and lottery sources are considered, FY 2019 funding represented an increase of 1.7 percent over the FY 2018 level and was 4.5 percent greater than primary and secondary education expenditures in FY 2017.

Governor John Kasich's first education budget was largely a continuation budget. The governor did not put his first important stamp on Foundation Funding until his second budget. The model, dubbed "Achievement Everywhere," was revised somewhat in the final two budgets of his administration, but it remained largely unchanged. The focus was on improving system equity without creating major disruptions in support for any given district.

The capacity to raise revenue at the local level was a major driver in outcomes under the new formula. Local capacity is largely dependent on the taxable value per pupil of the district. The purpose of the formula was to partially offset the results of variations in the district's taxable value per pupil.<sup>8</sup> However, movement toward greater equity was limited by temporary transitional aid, which guaranteed district funding at a percentage of the previous year, and gain caps, which limited funding growth for other districts.

Devising a formula that works for 610 school districts is admittedly no simple task. In some cases, local capacity can vary tremendously over even a short time frame, as when some school districts in Eastern Ohio benefitted from quickly rising property values stemming from the fracking boom in that part of the state. An opposite scenario occurred with districts impacted by power plant devaluations. In this instance, an amendment was inserted into the FY 2018–2019 budget to provide an alternative calculation of the valuation index for impacted districts.

Unlike the "evidence-based" model of Governor Ted Strickland, no attempt was made to determine the support level necessary to adequately fund the cost of educating a student. The largest component of the Kasich Administration model, the "opportunity grant," addressed this factor to some degree by providing a uniform per-pupil formula amount, although this amount was not based on empirical evidence. It is changed each biennium by the General Assembly, depending on resource availability.

The opportunity grant, which was set at \$6,020 for FY 2019, accounted for nearly 60 percent of all state foundation aid. This level represented an increase of only \$10 over FY 2018, the same amount that it was increased that year over the previous level in FY 2017 and significantly less than the 2.2 percent inflation rate for 2017.

Two elements designed to equalize funding among school districts, targeted assistance and capacity aid, accounted for about one eighth of total formula funding. Targeted assistance supplemented funding for districts with lesser capacity to raise revenues locally. Capacity aid provided additional assistance to a subset of largely rural districts that had comparatively few students and low property values.

Categorical add-ons accounted for more than one quarter of all state foundation aid. Special education, transportation, and economically disadvantaged funding accounted for most of the categorical funding, although also included were funding for K–3 literacy, gifted education, career-technical education, and students with limited English proficiency.

Pupil Transportation was funded in a separate line item, although it can be considered as categorical aid since district size and road conditions vary greatly across the state. The item was funded at \$527.1 million in FY 2019, a reduction of 11 percent from the amount provided just two years earlier. Approximately 150 school districts lost transportation funding as a result of a change in the minimum state share for base transportation aid. There has been no state bus purchase program to replace aging district fleets in more than a decade.

The formula also included performance bonuses to incentivize district performance regarding four-year graduation rates and third grade reading proficiency. Together, these bonuses accounted for only about .05 percent of all formula aid.

After these factors are calculated, final district allocations were adjusted more often than not, and sometimes quite dramatically, by temporary transitional aid and gain caps. Temporary transitional aid guaranteed that a district would receive a given percentage of its prior year's allocation. In the FY 2016–2017 biennium, the General Assembly guaranteed districts 100 percent of their FY 2015 aid. In the FY 2018–2019 budget, the legislature reduced the share of temporary transitional aid to districts so that it varied on a scale between 95 and 100 percent of the prior year's support for districts with enrollment declines between 5 and 10 percent from FY 2014 and FY 2016. Districts with enrollment declines during this period exceeding 10 percent were guaranteed funding at a level of 95 percent of the previous year's aid.

During the FY 2016–2017 biennium, district aid could not exceed 7.5 percent of the level provided in FY 2015. By contrast, the gain cap for most districts in FY 2018 and FY 2019 limited growth to only 3 percent over the FY 2017 level. The gain cap could be set as high as 6 percent for districts that experienced significant enrollment growth between FY 2014 and FY 2016.

Four of five school districts were impacted by either temporary transitional aid or the gain cap during the FY 2018–2019 biennium. School districts were effectively limited to a funding level between 95 percent and 106 percent of the previous year's state aid. In the FY 2016–2017 biennium, this range was even less, when language limited district funding to a level between 100 percent and 107.5 percent of the prior year's funding.

Foundation Funding was not the only major appropriation item impacting state aid to individual school districts. In addition to Pupil Transportation being funded separately, school districts and joint vocational school districts (JVSDs) continue to be fully reimbursed for the reductions in property tax stemming from the 10 percent and 2.5 percent rollback on all levies initially approved before August 2013 as well as the Homestead Exemption for certain senior citizens and the disabled. This is not a small item, as it was funded at nearly \$1.2 billion in each year of the FY 2018–2019 biennium.<sup>9</sup> Since the rollbacks no longer apply to new levies, growth in this item has begun to slow. Over 96 percent of these funds were provided to traditional school districts with the balance to JVSDs. High-wealth districts have benefitted disproportionately from this funding, since it is based on the amount of property tax paid in the district.

In addition, school districts continue to receive partial reimbursement for the revenue that they lost through the elimination of the tangible personal property tax. This funding, however, is being phased out. The \$165.2 million appropriated for this purpose in FY 2019 represented a decrease of nearly one third from the level provided for this purpose just two years earlier. An amendment was included in the FY 2018–2019 budget bill that would have limited district losses through the phase out to 3.5 percent of their state funding, but Governor Kasich vetoed it. However, a similar provision restoring \$7.4 million was included in a separate budget corrections bill, Senate Bill 8 of the 132nd General Assembly, several months later. As reimbursements from the tangible personal property tax and the public utility tangible property tax had totaled nearly \$1.13 billion at the start of the Kasich Administration in FY 2011, the loss of support for school districts from these sources totaled \$963.8 million during his term of office.

Ohio's foundation formula for traditional schools is incredibly complex, both in terms of the number of its components and in how these individual components are calculated. Only a few legislators and education insiders really understand how formula dollars are distributed; it is far from a transparent process to most observers. Moreover, much of the funding is determined not fully on the results of the formula, but through either the provision of temporary transitional aid or the imposition of a gain cap. When this occurs, state aid is no longer based on the capacity of the school district to raise local resources as is its intent.

For FY 2018, more than half, 317, of all school districts received guaranteed money through temporary transitional aid of \$205 million. Most, but not all of these districts, received temporary transitional aid in FY 2019 as well. In total, 320 districts received temporary transitional aid in FY 2019 at a cost of \$216.8 million. Fluctuations in local property values and the nominal increases in per-pupil funding provided through the opportunity grant of only \$10 per year likely accounted for the large number of districts on this guarantee.

While the gain cap impacted fewer school districts, it denied these districts significant funding that they would have received through the Foundation Funding model if it were allowed to fully operate. For FY 2018, 173 districts lost approximately \$522.3 million through the imposition of the gain cap. The gain cap impacted 131 districts in FY 2019, denying them approximately \$428.1 million in resources that they would have received through the funding model.

A case can be made for some temporary transitional aid to protect school districts from what might otherwise be an overly large reduction in state funding. Reconciling education funding with declining numbers of school-age children will remain a challenge for the foreseeable future. No such case



can be made for gain caps, whose purpose would seem to be less altruistic. It simply saved the state resources by not fully funding the model and providing districts what was due them. Ironically, if the current model was fully funded, disparities between high-wealth and low-wealth districts would grow rather than shrink. Perhaps, this should tell us that the model was fundamentally flawed.

The intent of a funding model should be to allocate state resources on the characteristics and needs of the students in a school district rather than on the characteristics of the district. Certain elements of the current formula are already calculated in this manner, including funding for special education, career-technical education, and students with limited English language proficiency. Such an approach would be in keeping with *DeRolph* and would also likely improve the transparency of the funding model.

### **Joint Vocational School Districts**

Joint vocational school districts (JVSDs) are public school districts providing career-technical education through hands-on labs and workforce development for students from member school districts in their region. Programs are offered in a wide array of career fields. Approximately 39,000 students were enrolled in Ohio's JVSDs during the 2016–2017 school year, a decline of 2,300 from the level experienced five years earlier. Public high schools can provide these services “in-house” as an alternative to membership in a JVSD.

A new funding model for JVSDs was developed for the FY 2014–2015 biennium at the same time that the Kasich Administration unveiled its new formula for traditional school districts. The formula used to determine a JVSD's state operating funding was quite similar in concept to the one used for traditional school districts. Formula components included an opportunity grant, career-technical education funds, special education aid, economically disadvantaged funds, limited English proficiency funds, and a graduation bonus. The formula also included temporary transitional aid and a gain cap, but only for basic pupil funding.

Funding for the FY 2018–2019 biennium for most JVSDs was reduced because of declining enrollments in 34 of the 49 schools. As all JVSDs have taxing authority, their local revenue base was no less dependent on property values than traditional school districts.

### **The Increasing Privatization of Ohio Public Education**

Minnesota became the first state to authorize public charter schools in 1991. As of the 2017–2018 school year, 45 states and the District of Columbia had authorized the creation of public charter schools. However, the majority of the nation's 6,800 public charter schools were located in just five states: Arizona, California, Florida, Ohio, and Texas.

Public charter schools in Ohio, known as community schools, are public, nonprofit, nonsectarian schools that operate independent of traditional school districts under a contractual arrangement with the Ohio Department of Education. Community schools differ from other public schools in that they do not have taxing powers and are exempt from certain state requirements.

The community school movement in Ohio grew from just 15 schools with 2,245 students in FY 1999 to 355 schools with 108,124 reported students in FY 2012 at the start of the Kasich Administration.

This rapid growth then cooled and even began to decline slightly by FY 2015. In FY 2017, Ohio had 362 community schools reporting 111,272 students, constituting nearly 7 percent of all public school enrollments.

In 2007, a new category of public, nonprofit, nonsectarian schools, called science, technology, engineering, and mathematics, or STEM, schools, was authorized. By FY 2016, there were seven independent STEM schools operating in Ohio, educating 1,989 students. An additional category of schools, science, technology, engineering, arts, and mathematics, or STEAM, schools, was authorized in the FY 2018–2019 budget.

With five separate school voucher programs, perhaps no state has more public school choice options than Ohio. The oldest existing voucher program, the Cleveland Scholarship and Tutoring Program, was created in 1995. The program provides scholarships to students residing in the Cleveland Metropolitan School District that can be used at either public or private schools of their choice within the district's boundaries. In 2003 and 2011, new scholarship programs were added for students with autism and for special-needs students, respectively. Collectively, they are known as the Jon Peterson Special Needs Scholarship Program.

The largest voucher program to date, the Educational Choice Scholarship Program, or EdChoice, was created in 2005. It is available to students outside the Cleveland Metropolitan School District from underperforming public school districts as measured by the state report card. As part of the transition to new state testing described later in this chapter, no new public schools will be added to the EdChoice Scholarship program until the 2019–2020 school year.<sup>10</sup>

The FY 2014–2015 budget represented a major victory for school choice proponents with the creation of a new component of EdChoice for families with incomes less than 200 percent of the federal poverty level. Once qualifying, students remain eligible to receive a voucher even if their family income surpasses this threshold, provided that it does not exceed 400 percent of the poverty level. Importantly, eligibility was not dependent on whether the traditional public school that the student would have otherwise attended was low-performing. For the first time, scholarships were awarded to students without disabilities, even if they resided in communities with high-performing public schools. The scholarship was limited to kindergartners during the 2013–2014 school year and to kindergartners and first graders during the 2014–2015 school year. One additional grade level has been added to the program each year. During the 2018–2019 school year, students in kindergarten through fifth grade were eligible to receive scholarships provided that their families met the means test. The income-based voucher program provided up to 60,000 scholarships to eligible students, although only about half that number were used.

Community schools can be either conversion or startup schools. Conversion schools operate in existing traditional buildings that have been transformed by public school districts, joint vocational school districts, or educational service centers into a community school independent of the district and authorized by a sponsor. Startup schools are located in school districts classified as “challenged” at the time the community school developer enters into a sponsor agreement. More than four in five of all community schools, or 82 percent, fit into the startup versus the conversion category in FY 2016.

Community schools include both schools offering traditional classroom settings and e-schools that provide their educational services electronically. Only six percent of all community schools were

classified as e-schools in FY 2017, although they included some of the largest. E-schools accounted for fully 30 percent of all reported enrollments.

A third classification differentiating community school types is whether their focus is on general education, dropout prevention and recovery, or special education. Two thirds, or 66 percent, of all community schools focused on general education in FY 2017. Twenty-four percent of all community schools focused on dropout recovery. The smallest group of schools, 10 percent, focused on special education. Eighty-five percent of all reported students were enrolled in a general education curriculum.<sup>11</sup>

For funding purposes, community school students of all types, as well as STEM and STEAM school students, are counted in the school districts in which they reside. Community schools and STEM and STEAM schools are funded through a per pupil transfer from their home school district. As with joint vocational school districts, the funding model for community schools is similar in concept to the one employed for traditional school districts. However, temporary transitional aid and the gain cap do not apply to community schools. Moreover, since community schools lack taxing authority, there is no local share of funding.

Components of the funding model again include the opportunity grant, targeted assistance, special education, career-technical education, limited English proficiency funds, economically disadvantaged funds, and K–3 literacy funds. Community schools also can receive transportation funding if they opt to provide this service, although most students are transported by their traditional school district. In FY 2017, the state spent \$937.4 million through the funding model for community schools and STEM schools. The largest amounts of funding were for the opportunity grant, \$702.9 million, special education, \$136.3 million, and economic disadvantaged funds, \$52.5 million. Community schools and STEM schools, and now STEAM schools, are also eligible to receive facilities funding and performance bonuses. An additional \$16.8 million was provided in facilities funding, although no dollars were allocated for performance bonuses. Community schools are provided \$200 per pupil to spend on their facilities, including rental facilities. In total, \$954.2 million was provided to community schools and STEM schools in FY 2017.

The largest amount of funding was provided to the Electronic Classroom of Tomorrow, or ECOT, which received \$110.5 million, of which \$110.1 million came from the funding components with an additional \$382,000 in facilities funding. However, ECOT was subsequently ordered to pay back \$19 million of their allotment, when it was discovered by the Ohio Department of Education that the school had overbilled it for enrollments that were claimed but not realized.<sup>12</sup> In the previous year, FY 2016, ECOT was ordered to pay back fully \$60 million of the \$108 million it received during the 2015–2016 school year when the Department of Education was able to verify about 40 percent of its reported 15,322 enrollments, or 6,313 students, rather than the 15,322 students claimed by the school. Unable to make the repayments, and having exhausted nearly all legal recourse, ECOT closed its operations abruptly in January 2018.

A subsequent audit by the Auditor of State issued in May 2018 found that ECOT may have committed fraud by withholding data that would have indicated that students spent less time working on their online courses than that for which the state was billed. Auditor Dave Yost referred the audit and related work papers to both federal and local authorities for possible criminal prosecution. In an attempt to recover lost funds from ECOT and its founder, Bill Lager, Ohio Attorney General Mike DeWine filed an

argument in court in July 2018 claiming that the online school's agreements with its management and service companies, which were also operated by Mr. Lager, constituted a pattern of corrupt activity.

Ohio has led the nation in the number of charter schools that have failed. An average of 18 community schools have closed their doors each year in Ohio.<sup>13</sup> Although there are a number of success stories, most remaining community schools perform poorly compared to traditional public schools as measured across all components of the state report card. Fully two thirds of Ohio community schools received an overall grade of “D” or “F” on their 2017–2018 report card. This was also borne out in a 2016 study by the Thomas B. Fordham Institute, a proponent of school choice, when it found Ohio charter school students fared worse academically than their closely matched peers at traditional public schools.<sup>14</sup> Moreover, it was an embarrassment to the state in 2017 when the state revealed that it could not use all of a \$71 million federal grant for newly opened effective or exemplary schools because not enough schools qualified under the performance criteria. A number of restrictions were placed on the federal grant for qualifying community schools, given that Ohio was labeled as a “high-risk” state, as many schools could not meet the federal reporting requirements of “accurate, current, and complete disclosure.”

Ohio launched a reform effort in 2015 to begin to address some of these issues, although many still linger. This legislation, House Bill 2 of the 131st General Assembly, prohibited poorly performing schools from hopping from sponsor to sponsor and eliminated several conflict-of-interest concerns involving sponsors and the schools they operate.<sup>15</sup> In addition, management companies that received more than 20 percent of their annual revenues from state sources were required to provide an accounting of expenses by category.

The National Alliance for Public Charter Schools ranked Ohio in the middle of the pack, 23rd out of 45 states, in meeting what it considered the “essential components” of a strong charter school law.<sup>16</sup> It is thus debatable if the HB 2 reforms went far enough. State funding for community schools needs to be accounted for in the same manner and with the same audit procedures as is required for public school districts. Every taxpayer dollar should be verifiable.

Despite the problematic record of community and private charter schools in Ohio, additional efforts to enhance opportunities for these schools are routinely undertaken in the General Assembly. This included a 2018 law permitting Ohio's College Advantage 529 plan for tax-deductible college savings to be used for private K–12 education, a \$20 million per year tax break. Spending is capped at \$10,000 per year per student.

Legislation was also enacted in 2018 to provide a “safe harbor” for any school absorbing a large number of transfer students resulting from the closure of ECOT. It protects these schools, many of which were other e-schools, from adverse sponsorship ratings resulting from transfer students through the 2019–2020 school year.

On a positive note, the General Assembly did agree to create a legislative committee to study whether the funding of online schools should be changed to a competency-based payment structure. The committee is to also examine the expense categories for which an e-school operator is required to provide detailed accounting records.

## Program Expansions and New Initiatives

Making EdChoice scholarships available to low-income families regardless of their local school district's performance represented a major policy departure in state education policy. It fundamentally changed the historic purported purpose of the school voucher program. So too did the extension of the Ohio College Advantage 529 plan to private K-12 education.

A number of other important policy changes were initiated during the Kasich Administration. Some of these ideas met resistance in either the General Assembly or in the education community, or in some cases, with both.

### Early Childhood Education<sup>17</sup>

Early childhood programs in school districts were supported with \$68.1 million in General Revenue Fund (GRF) dollars in both FY 2018 and FY 2019. Of this amount, \$1.4 million was set aside each year to administer the programs and to provide technical assistance to school districts. The balance was used for grant funding to early childhood education providers, which could either be operated directly by districts or through contract with a Head Start agency, a chartered nonpublic school, or a licensed child care provider. An additional \$5 million per year of Casino Operator Settlement Funds was appropriated to the Ohio Department of Job and Family Services (ODJFS) for this same purpose. With an allocation of \$4,000 per child, an amount based on 2.5 hours, or one-half day of preschool, the combined funding was sufficient to fund 17,938 preschool slots for children who were at least four-years old but not yet eligible for kindergarten from families with income below 200 percent of the federal poverty level. Eligible three-year old children could be considered for funding if the budget permitted.

Early childhood programs were a major priority during the Kasich Administration. In the FY 2012–2013 budget, only 5,700 economically disadvantaged children participated in early childhood education programs. Just five years later, this number had more than tripled as did the corresponding funding support for early childhood education.

Beyond this support, federal funds totaling \$12.6 million per year were appropriated during the FY 2018–2019 biennium for special education services for children between ages three and five with disabilities. In addition, \$1.9 million in GRF dollars was appropriated each year for the inspection and licensing of child care programs.

As part of the FY 2016–2017 budget, a quality rating system of child care centers was established in conjunction with the Governor's Early Childhood Education and Development Office and ODJFS. All childhood education centers funded by the Ohio Department of Education must be part of the Step Up to Quality ratings system by 2020 in order to receive state funding. Chapter 13 included information on the new system.

### Third Grade Reading Guarantee

The Third Grade Reading Guarantee identifies students from kindergarten through grade 3 that lag in reading skills and supports the goal of reading success by the conclusion of third grade. Districts are provided a bonus in the Foundation Funding formula for student success towards this end. Stu-

dents not achieving a passing score on the state reading diagnostic test are retained in third grade for an additional year. Supplemental intervention services are offered to these students, including the requirement that at least 90 minutes of reading instruction be provided daily.

## **Graduation Pathways**

Three additional graduation pathways were created in the FY 2016–2017 budget for students entering ninth grade prior to July 1, 2014. The new pathways replaced the Ohio Graduation Test. The change was in response to concerns raised about the one-third of Ohio high school graduates who required remediation upon entering an Ohio public college or university. Students were made eligible for graduation if they met one of the following standards: scored at “remediation-free” levels in English, math, and reading on a nationally standardized assessment, such as the ACT or SAT; attained a cumulative passing score on end-of-course examinations; or attained a passing score on a nationally recognized job skills assessment and obtained either an industry-recognized credential or a board-issued license for practice in a specific vocation. Students with disabilities and those with limited English proficiency were exempted from the testing requirement.

At this time, the state began to pay for the cost of administering the ACT or SAT to all high school juniors. There was some pushback on the appropriateness of the examinations, as they are not intended for those students who are not college bound. Nevertheless, the tests can potentially do much to equalize educational opportunities for students who may not have considered attending college following graduation until performing satisfactorily on the exam.

Despite this broadening of graduation pathways in the previous budget, the General Assembly found it necessary in the FY 2018–2019 budget to create yet two more alternatives to graduation that were to be applicable to just the class of 2018. It was originally estimated that at least 30 percent of the members of this class would not have graduated under the new system enacted in the previous budget. However, a few months later, the Ohio Department of Education reported that only 23 percent of high school seniors were not on course to earn a diploma based on their test scores.<sup>18</sup> Both of these pathways required the taking of all applicable state tests and completing the school’s curriculum. One of the pathways also required retaking certain low-score, end-of-course exams and satisfying two of a number of other conditions, including completing a capstone project and having a 93 percent attendance rate. The second pathway required completion of an approved career-technical training program and satisfying one of a number of other conditions, including obtaining an industry recognized credential.

The State Board of Education recommended that these two alternative pathways be extended to the graduating classes of 2019 and 2020, while it develops permanent adjustments to the graduation requirements to be effective for the class of 2021. However, the General Assembly has been increasingly reluctant to extend what it perceives to be a reduction in graduation requirements.

While such changes are undoubtedly well intended, they represent a serious, if perhaps temporary, diminishing of graduation requirements. Traditionally, a state goal has been a uniform standard for graduation for all. It might be better to have different diploma designations for students meeting bare-minimum standards and one reflecting college and career readiness, as was suggested by the Thomas B. Fordham Institute.

## **College Credit Plus**

College Credit Plus allows high school students to attend classes at Ohio public and participating private colleges and universities to earn both high school and college credit. The program is open to both public and nonpublic high school students at no cost to them. College Credit Plus (CCP) replaced the Post-Secondary Enrollment Options (PSEO) program in the 2015-2016 school year. It provides standardization to both funding and the awarding of credit that was not present under PSEO, which was more ad hoc as it was dependent on the relationship between the affected school district and the participating postsecondary institution. It also covers the cost of textbooks, which was not mandated under PSEO.

During the 2016–2017 school year, 68,365 high school students participated in the CCP program. Of this number, 72 percent were either seniors or juniors. Students were primarily enrolled in the five core content disciplines of English, social sciences, science, math, and arts and humanities.<sup>19</sup>

Public high school students count in their resident district for funding purposes with college tuition amounts deducted from the district's state aid. Default floor and default ceiling amounts are established to correspond to the course delivery and instruction methods employed. In FY 2016, approximately \$39 million was paid to colleges and universities through the CCP program. The FY 2018–2019 budget appropriated \$2.6 million per year in General Revenue Fund (GRF) moneys to pay program costs for students at nonpublic schools. In addition, a portion of the funding provided for Auxiliary Services Reimbursement could be used for program costs incurred for chartered nonpublic school students.

The FY 2018–2019 budget added new eligibility requirements to the CCP program to provide even more standardization and rigor. It required participants to be either remediation-free as determined by student assessments or score no more than one standard deviation from the remediation-free threshold if they either had a grade point average of at least 3.0 or received a recommendation from their school counselor or principal.

In 2018, the General Assembly tasked the Ohio Department of Education to study the results and effectiveness of the CCP program.

## **Adult Education Programs**

Fully 724,500 Ohio adults did not hold either a high school diploma or its equivalent in 2017.<sup>20</sup> Earning a diploma can be a real game changer for individuals and their families.

The 2014 Mid-Biennium Review funded five community colleges and Ohio technical centers to help adults older than 22 years of age to earn credits toward a high school diploma while pursuing job training tied to credential or certificate acquisition in an in-demand field. The Adult Diploma Pilot Program was funded at \$3.75 million in FY 2016 and \$5 million in FY 2017, half the amounts recommended by Governor John Kasich, to support participating community colleges and technical centers. An earmark from the Alternative Education Programs item of \$2.5 million per year was provided for similar purposes for high school diploma programs for those aged 22 and older. Payments were made to participating school districts, dropout recovery community schools, joint vocational school districts with adult education programs, and community colleges.<sup>21</sup> The FY 2018–2019 budget consolidated these two programs into a single General Revenue Fund line item for Adult Education Programs.

It was funded at \$7.5 million in FY 2018 and \$8.7 million in FY 2019.

## **Community Connectors<sup>22</sup>**

The Community Connectors initiative brings together families, businesses, and community organizations, including faith-based organizations, to mentor students in low-performing, high poverty schools. The program was funded at \$10 million per year in both the FY 2014–2015 and FY 2016–2017 budgets. This same level was recommended by Governor John Kasich for the FY 2018–2019 biennium, but support was reduced to \$4 million per year in the final approved budget. The program, which matches \$3 for every \$1 provided in local support, was supported with lottery profits funds. Funding was prioritized for experiential learning opportunities in classroom settings that foster financial literacy, career readiness, and entrepreneurship skills.

## **Student Assessment and School District Report Cards**

Tension exists between the importance of developing a meaningful assessment system and the need to limit testing to a reasonable level. Despite the frustrations educators and parents felt on the subject, testing takes up less than two percent of classroom activity. This frustration came to a head in 2015 when the General Assembly banned the further use of Partnership for Readiness for College and Careers, or PARCC, tests effective for the 2016–2017 school year. These tests, which utilized Common Core standards, had been developed in conjunction with 11 other states.

Ohio developed its own set of end-of-course tests in conjunction with the American Institute for Research, or AIR, which are used to measure districts against a defined set of expectations. In addition to testing for this purpose, the federal government requires several assessments as a basis for receipt of federal funds. In FY 2019, \$53.3 million in General Revenue Fund (GRF) moneys and \$11.5 million in federal funds were appropriated for the development, printing, distribution, collection, scoring, and reporting of the assessments. An additional \$2.8 million in GRF funds was appropriated for diagnostic assessments for kindergarten readiness.

Ohio's accountability system for school buildings and districts is based on student scores on academic achievement assessment tests. Beginning with the FY 2015–2016 school year, "A" to "F" letter grades were assigned for six components: gap closing, achievement, progress, graduation rate, K–3 literacy, and prepared for success. Because of changes in testing as the state abandoned the use of PARCC assessments, the system was phased in, and overall letter grades were not issued until September 2018 based on performance during the 2017–2018 school year. The accountability system was funded at \$5.9 million in FY 2019, which was largely supported from transfers from the State Board of Education Licensure Fund, although some GRF support was also provided.

While performance scores improved by 2.5 percent for the 2016–2017 school year over the previous year, the achievement gap between students from economically disadvantaged households and those from higher income families remained stark. Of the 124 school districts scoring an "A" or "B" on the performance index, only two had an economically disadvantaged population higher than the state average. Districts with "A" or "B" scores had more than double the median household income than those receiving an "F" grade.<sup>23</sup>

The 2017–2018 report card yielded similar results. While there was a 2.6 percent increase in the per-



formance index and 1 percent increases in K–3 literacy and graduation rates over the previous school year, economically disadvantaged students continued to perform substantially worse when compared to other students on every measure, and most notably on the performance index, which accounts for 75 percent of the achievement component. A new feature in the 2017–2018 report card was the addition of a chronic absenteeism improvement indicator to the achievement component.<sup>24</sup>

The overall district letter grade distribution was: “A” – 28 districts (4.6 percent); “B” – 191 districts (31.4 percent); “C” – 253 districts (41.6 percent); “D” – 122 districts (20.1 percent); “F” – 14 districts (2.3 percent). Several large urban districts received an overall “F” grade, including the state’s largest district, the Columbus City School District. An “F” grade for the East Cleveland City School District, whose income and socioeconomic challenges rank among the most significant of any district in Ohio, meant that it would fall under state control as described later in this chapter.

Low-wealth school districts dislike the report card because of direct comparisons with wealthy districts, which they view as unfair given the variances in local resource bases. Wealthy districts dislike the report card because even a small dip in scores from year-to-year can result in a low grade on its progress component. All districts dislike the report card methodology for its complexity. The lack of transparency is not helpful to the district-community relationship. The addition of a single overall letter grade simplifies analysis, yet it can mask important detailed information which might provide a more nuanced perspective. When grades are low and districts appear to be failing, passing levies — never easy under the best of circumstances — becomes much more difficult. With districts again receiving overall letter grades, calls for reform will likely reach an even higher level moving forward.

## **Teacher Evaluation**

Ohio developed its initial statewide teacher evaluation system between 2009 and 2011 as a part of its proposal for the second round of federal Race to the Top funding. The effort involved a wide range of stakeholders including teachers, administrators, higher education representatives, and national experts. The system had two components of equal value, a teacher performance rating and a student academic growth rating. However, support from the education community for the system was far from unanimous. While other states had used performance on student standardized tests as part of teacher assessment, few have relied upon this factor for so much of an overall teacher’s evaluation.

In 2014, an alternative evaluation framework was adopted to partially address this concern. School districts were given the flexibility to choose between the new system and the original framework. The alternative framework continued to base half of the overall evaluation on teacher performance. Student academic growth, however, accounted for a lesser part of the evaluation at 35 percent. The balance, 15 percent, could be any of a combination of student surveys, teacher self-evaluations, peer-review evaluations, student portfolios, or other component as determined by the local school board.

An additional change in 2014 was that less frequent observations were required for teachers determined to be accomplished or skilled. Teachers receiving an ineffective rating were required to complete content knowledge exams in order to determine their expertise. School districts could only use failure on these exams to terminate a teacher contract if it was not the sole factor in making that determination, or if a teacher failed to pass the exam on three consecutive attempts.

Reform efforts continued in 2018 to provide for a more teacher-driven and student-focused evalua-

tion system. The stand-alone student academic growth measure was eliminated as was the alternative evaluation framework. Yet, another change prohibited the use of shared attribution of student performance data among teachers in a district, building, grade or content area. In their place, and in keeping with recommendations of the Educator Standards Board, multiple measures of “high-quality student data” will be used to provide evidence of student learning that can be attributable to the teacher being evaluated. High-quality student data may be used as evidence in components of the evaluation related to any of the following: knowledge of the students to whom the teacher provides instruction; the teacher’s use of differentiated instructional practices relative to the needs and abilities of students; assessment of student learning; the teacher’s use of assessment data; or professional responsibility and growth. The new evaluation rubric, to be effective with the 2020–2021 school year, should provide more informative feedback than the previous system and help teachers use data to improve instruction and enhance their professional development.<sup>25</sup>

In 2011, the state developed an Ohio Resident Educator program to mentor and provide professional development opportunities to beginning teachers during the first four years of their career. The program is required for those pursuing Alternative Resident Educator licenses as well as traditional licensure candidates. The Alternative Resident Educator program provides an accelerated pathway to classroom teaching for candidates with relevant content-related knowledge, life experience, and successful career experience. The General Assembly voted to eliminate the Ohio Resident Educator program in the FY 2018–2019 budget, but Governor John Kasich vetoed the item.

## **Straight A Fund**

Beyond his new proposed school funding formula in the FY 2014–2015 budget, Governor John Kasich recommended a \$300 million Straight A Fund as part of his “Achievement Everywhere” plan. The fund, which was to be modeled after the Ohio Third Frontier Program, was to provide school districts with implementation grants for creative and transformational instruction practices that would be self-sustaining once start-up funding was exhausted. Projects were to be aimed at either advancing student achievement, reducing spending over a five-year period, utilizing proportionately more resources in the classroom, or using a shared service delivery model. Although the General Assembly added several earmarks to the program, it largely approved the Straight A Fund program as it was originally designed. However, funding from the Lottery Profits Education Fund for this program was reduced to \$250 million, \$100 million in FY 2014 and \$150 million, in FY 2015.

Governor Kasich recommended \$100 million annually for the Straight A Fund in the FY 2016–2017 budget, but the General Assembly continued the downward trajectory of appropriations for the program. Funding totaled only \$27.25 million in FY 2016 and \$15 million in FY 2017, but even some of these amounts were earmarked for purposes other than supporting sustainable proposals to improve student achievement or reducing operational costs to drive more dollars to the classroom.

Governor Kasich recommended continuing the Straight A Program at the FY 2017 level of \$15 million for each year of the FY 2018–2019 biennium. Instead, the General Assembly eliminated the program altogether. The budget bill did require the Ohio Department of Education to submit a report on recommendations on projects previously funded that merited future replication.

## **Cleveland Plan for Transforming Schools**

In July 2012, Governor John Kasich signed into law sweeping changes designed to reinvent public education in the City of Cleveland. The Cleveland Plan for Transforming Schools, put forward by Mayor Frank Jackson, with support from Governor Kasich, the greater Cleveland community, and school district officials, made several fundamental changes in the relationship between the Cleveland Metropolitan School District (CMSD) and its charter schools and teachers. Critical elements of the Cleveland Plan included: permitting the district to share property tax revenue with select charter schools; giving city and district involvement regarding what charter sponsors can start new schools; paying teachers on a differentiated salary schedule based on performance, skills, and duties; and giving preference to high-performing and specialized teachers during layoffs rather than giving priority to tenure and seniority.

Preliminary results of the Cleveland Plan for Transforming Schools indicate some notable successes, including: expanded access to high-quality preschools; improved reading scores; record high school graduation rates; and declining college remediation rates. However, the CMSD struggled to meet other goals of the Cleveland Plan, such as eliminating failing schools from the city and tripling the number of students enrolled in high-performing school districts and charter schools.<sup>26</sup>

Mayor Jackson hoped that the Cleveland Plan might serve as a template for transforming other troubled school districts in the state. While Governor Kasich's 2015 plan to overhaul the Youngstown City School District shared some common elements with the Cleveland Plan, this initiative was not particularly well received by most leaders and educators in the Mahoning Valley community.

## **Academic Distress Commission Overhaul<sup>27</sup>**

At the request of the Kasich Administration in June 2015, the Ohio Senate inserted an eleventh-hour, 66-page amendment to overhaul the state's Academic Distress Commission process into what had been an innocuous House bill, HB 70 of the 131st General Assembly, creating community learning centers. The initiative, which was supported by some Youngstown community leaders but opposed by many others, gained quick approval and equally fast concurrence by the Ohio House of Representatives over the strong objections of many legislators to both the process and the policy.

The action occurred just as the Conference Committee report on the FY 2016–2017 budget bill was receiving its final approvals in the legislative process. One late Conference Committee addition not in any version of the budget bill previously was an earmark of \$930,000 in FY 2016 and \$2 million in FY 2017 for the establishment of academic distress commissions.

At the time, only the Youngstown and Lorain city schools had academic distress commissions, but the new legislation applied to any other school district receiving failing grades for three consecutive years on state report cards. Commissions are state-controlled in that three of their five members are appointed by the Superintendent of Public Instruction, while two members would be appointed locally. Effective with the 2018–2019 academic year, the East Cleveland City School District also became subject to state intervention.

Academic distress commissions are empowered to hire a chief executive officer (CEO), who need not be an educator but must have “high-level management experience.” The CEO's powers widen considerably over time. By year two, the CEO has authority to close school buildings, fire staff and

teachers, and reopen the properties as charter schools. Students who would otherwise have attended a school in the academically distressed district would be eligible for state voucher assistance, regardless of the performance of the nearest school building. In year three, Ohio law concerning contracts and labor agreement could be changed or suspended. If the commission is still in place by year five, the elected school board can be replaced with a board appointed by the mayor.

With academic improvement, voters could choose to return to an elected school board. If a school district can earn a grade of “C” on their state report card with no “F” grades over the next two years, it can be freed from academic distress commission control. However, based on past performance, this would be a high hurdle for most major urban districts.

In 2018, the General Assembly seriously considered placing a moratorium on the state takeover of local school districts in academic distress status. Ultimately, it ordered Ohio Department of Education to reexamine the responsibilities of Academic Distress Commissions as well as the duties of their CEOs. The study is to be completed by May 2019.

## Comparison with Higher Education

As is still the case with primary and secondary education, public higher education in the state was long the responsibility of an independent coordinating body, the Ohio Board of Regents. In 2007, Governor Ted Strickland and the General Assembly, led by then House Speaker Jon Husted, took action to make the agency a cabinet department; it would be renamed the Ohio Department of Higher Education eight years later. Adult career-technical education and Adult Basic Literacy Education (ABLE) were moved from the Ohio Department of Education to the new cabinet-level department. The Board of Regents remained as an advisory body. However, as of June 2018, the board had not met in well over one year. As members have departed, seats have remained unfilled and a quorum was no longer possible.

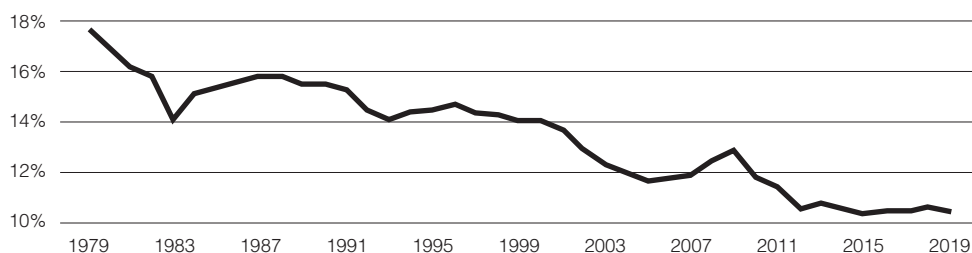
In addition to adult career-technical education and ABLE, the Ohio Department of Higher Education governs Ohio’s system of 14 public universities and 23 community colleges. The agency also issues certificates of authorization to not-for-profit colleges and universities in the state. Their students, as well as those at Ohio for-profit colleges and universities, participate in many of the department’s financial aid programs.

### Higher Education Funding and Innovation

Unlike primary and secondary education, higher education is not enshrined in the Ohio Constitution. While undoubtedly an important focus in most state budgets, it does not enjoy the priority status that primary and secondary education routinely does. Indeed, higher education’s share of all state-source funding has shrunk steadily since the late 1970s, from a high of 17.7 percent in FY 1979 to 11.3 percent of total state-source funding when Governor John Kasich took office in 2011. It continued to decrease further to 10.4 percent by FY 2019 at the end of his term. Figure 14-2 displays the downward trend in state support over the 40-year period from FY 1979 to FY 2019. If higher education were still funded at its historical high share of support, the FY 2019 appropriation for this important function would have been \$1.8 billion higher than the actual appropriation of \$2.6 billion.

## Figure 14-2: Higher Education Budget Share

### Higher Education as a Percentage Share of State-source Funding, FY 1979 – FY 2019



Source: Ohio Legislative Service Commission.

The lion's share of the nearly \$2.6 billion in state support for higher education in FY 2019 was appropriated to the State Share of Instruction subsidy. Much of the remaining \$617 million in FY 2019 funding was in the form of student aid. As recently as FY 2009, total appropriations for higher education had reached nearly \$2.8 billion. A 57 percent reduction in need-based student financial aid during the Great Recession was the primary reason for the decreased level of support. Only a very small portion of this funding has since been restored, despite an ever-increasing demand for such assistance as a result of rising college costs. Sixty-five percent of all Ohio undergraduates were in debt following their graduation in 2016. Average student debt upon graduation for these students was \$29,579, the 16th highest level in the nation.<sup>28</sup>

The State Share of Instruction is the primary mechanism for subsidizing the cost of instruction at public colleges and universities in order to keep undergraduate tuition for Ohio students at an affordable level. The item was funded at \$1.98 billion in FY 2019, the same level as in the previous two fiscal years. This restrained level of funding support has been made more difficult for institutions because of the significant caps on tuition that have existed in recent years. The FY 2016–2017 budget did allow a 6 percent increase for incoming freshmen but specified that the new amount must then be locked in for four years for such students. The FY 2018–2019 budget bill included a provision to raise the allowable one-time increase for incoming freshmen to 8 percent, but the item was vetoed by Governor Kasich. Tuition for community college students can be increased by \$10 per credit hour in FY 2019, but the governor vetoed a similar increase for FY 2018.

Ohio has been a leader in performance funding for higher education since the late 1990s, but it became a much more significant part of state funding during the Kasich Administration. The State Share of Instruction is distributed on a formula basis with individual university and college allocations determined by a number of performance-based metrics unique to their specific sector of education. Importantly, unlike Foundation Funding for primary and secondary education, the State Share of Instruction formula contains no guarantees or gain caps; it is a formula that functions as was intended.

Ohio has also been a leader in recent years in ensuring the seamless transfer of college and university coursework between educational institutions. This work was subsequently expanded into the areas of adult career-technical education credit transfer, registered apprenticeship pathways, and the award of credit for military training and experience.

The FY 2018–2019 budget included numerous other policy changes, or at least set the stage for further

innovation in the future, that would particularly impact community colleges. It authorized the creation of applied bachelor's degree programs at community colleges under certain specified circumstances. It also called for the development of program models for "3 + 1" degree programs between community colleges and public universities, as well as credentialing program models at community colleges and technical centers for in-demand occupations. It also requested that the Chancellor recognize a provider of competency-based education programs. Finally, it authorized financial aid for the first time for students enrolled in short-term certificate programs.

As with primary and secondary education, Ohio higher education policy during the course of the Kasich Administration was long on innovation and somewhat less so on funding support. Addressing the combined impact of many years of less than optimal state support for higher education, tuition caps, and rising non-tuition student fees will likely continue to present a serious challenge to college and university leadership.

### **Should K–16 Education Functions Be Consolidated?**

Few items are more important to a governor's agenda than primary and secondary education. Yet, it is administered in a manner that provides less accountability than perhaps might be ideal with an organizational structure largely independent of executive control. An additional concern is that as the lines between K–12 and higher education have become increasingly blurred, such as through the College Credit Plus initiative, the organizational structures of the two agencies charged with these responsibilities remain separate and distinct. The same argument can be made with regard to the limited connections between the educational agencies and workforce development. Ohio does not appear to have the optimal organizational alignment it needs to make progress towards achieving its ambitious goal of having 65 percent of its adult citizens with a higher education degree or workforce certification credential by 2025. Reaching this goal would require a nearly 50 percent increase over current levels of achievement.

Governor John Kasich and then House Speaker Cliff Rosenberger launched a sweeping proposal in 2018 to centralize education and workforce policymaking, and in the process streamline these functions, improve communications, create a culture of continuous learning, and better prepare the workforce of the future. Specifically, the proposal would have consolidated the departments of Education and Higher Education, along with the Governor's Office of Workforce Transformation, into a single, cabinet-level agency, the Ohio Department of Learning and Achievement. Because it is a Constitutionally created entity, the State Board of Education was retained in the plan, but its functions would have been significantly reduced. It would continue to be responsible for issuing teacher licenses, disciplinary matters, and maintain some oversight of community schools and the state schools for the blind and deaf. However, fully 80 percent of its responsibilities would flow to the new cabinet-level department.

The sweeping proposal stalled because of opposition from education advocates who argued that it could limit their access to the education policy process and that there were less drastic ways to ensure cooperation among education and workforce agencies. Still others, primarily home-school advocates, opposed the initiative seeing it as an effort to mandate government-controlled workforce placement. Moreover, any impact in closing Ohio's achievement gap would likely be quite limited, if such action were undertaken without a concomitant increase in state financial support.

## Summary

Two education priorities were central to the administration of Governor John Kasich, innovation and accountability. Yet, despite wide-ranging efforts to improve educational outcomes, Ohio has fallen short. *Education Week* ranks states annually on student achievement and other success indicators, such as graduation rates and preschool enrollment, as well as financial measures. Ohio was ranked as having the fifth best public schools in the nation in the *Education Week* survey the year Kasich was first elected governor in 2010. However, this ranking dropped to 18th by the time the governor stood for reelection in 2014 and fell further to 23rd in 2015. It improved only slightly to 22nd in 2016, where it remained in both 2017 and 2018.

The decline from excellence towards average reflected the large achievement gap between the state's highest and lowest performing schools as well as a charter school sector that was the most troubled in the nation. *Education Week* found the gap between students from low-income and high-income families to be a dismal 37th in the nation. Not surprisingly, Ohio also ranked 37th in the area of funding equity.<sup>29</sup>

This is simply not good enough for such a fundamental state responsibility, particularly one where Ohio has had such a long history of leadership. To have meaningful improvement, Ohio should consider returning to the mandate in *DeRolph* to provide an adequate and equitable education for all of its citizens. This should begin with determining the cost of providing a quality education and then fully funding it. Governor Ted Strickland accomplished the former with his Evidence-based model. The challenge would be accomplishing the second part, fully funding Ohio's system of common schools. Currently, Ohio's tax policies and its priority focus on community schools would seem to preclude this possibility.

## Endnotes

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- <sup>1</sup> The Northwest Ordinance was adopted by the Confederation Congress of the United States in 1787. The legislation, which was perhaps the most important document issued by the young nation under its first written constitution, the Articles of Confederation and Perpetual Union, was officially titled "An Ordinance for the Government of the Territory of the United States, North-West of the River Ohio."
- <sup>2</sup> "School Funding Complete Resource," Ohio Legislative Service Commission, February 2017. <https://www.lsc.ohio.gov>.
- <sup>3</sup> State-source funds includes expenditures or appropriations from the General Revenue Fund, including property tax rollbacks, Local Government Fund, Public Library Fund, and State Lottery Fund. It does not include federal reimbursements for Medicaid and other human service programs or Federal Stimulus funds.
- <sup>4</sup> "A History of Success: The Ohio School Facilities Commission 20th Anniversary," Ohio Facilities Construction Commission, August 11, 2017.
- <sup>5</sup> Randy Ludlow, "Kasich Refrains from Discussing School Funding," *The Columbus Dispatch*, November 14, 2017.
- <sup>6</sup> *Annual Report, Fiscal Year 2017*, Ohio Department of Taxation, 2018. <https://www.tax.ohio.gov>.
- <sup>7</sup> "School Funding Complete Resource," Ohio Legislative Service Commission, February 2017. <https://www.lsc.ohio.gov>.

- <sup>8</sup> “School Funding Complete Resource,” Ohio Legislative Service Commission, February 2017. <https://www.lsc.ohio.gov>.
- <sup>9</sup> In addition to school districts and joint vocational school districts, local governments are also reimbursed for reductions in property tax stemming from the 10 and 2.5 percent rollbacks as well as the Homestead Exemption.
- <sup>10</sup> Ohio Department of Education Website, 2018. <https://education.ohio.gov>.
- <sup>11</sup> “2016-2017 Annual Report: Ohio Community Schools,” Ohio Department of Education, December 2016. <https://education.ohio.gov>.
- <sup>12</sup> Allegations of manipulating attendance data also plagued public schools during the Kasich Administration. The Auditor of State took action against the Columbus City School District and eight other school districts in 2013 and 2014 special audits regarding their “scrubbing” of student data. See Chapter 7.
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- <sup>14</sup> “Dismal Voucher Results Surprise Researchers as DeVos Era Begins,” *New York Times*, February 23, 2017.
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- <sup>16</sup> “Ohio Remains Mid-Pack in Group’s Ranking of State Charter School Laws,” *The Hannah Report*, January 29, 2018.
- <sup>17</sup> See Chapter 13 for additional discussion of this subject.
- <sup>18</sup> Patrick O’Donnell, “Ohio’s High School Graduation ‘Crisis’ Has Eased — Some,” *The Plain Dealer*, October 17, 2017.
- <sup>19</sup> “College Credit Plus Sees Increase in Student Participation in Second Year,” *The Hannah Report*, November 20, 2017.
- <sup>20</sup> Ohio Department of Education Website, 2017. <https://education.ohio.gov>.
- <sup>21</sup> Ohio Department of Education Website, 2017. <https://education.ohio.gov>.
- <sup>22</sup> Terry M. Thomas, “Budget Boosts K–16 Funding, but Vetoes Put Damper on Education Budget: Key Provisions of H.B. 64 as Enacted,” *State Budgeting Matters*, Volume 11, Number 9, The Center for Community Solutions, July 2015.
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- <sup>28</sup> *Student Loan Debt by State Report*, LendEDU, 2017. <https://www.lendedu.com>.
- <sup>29</sup> *Quality Counts 2017 and Quality Counts 2018*, *Education Week*, 2017. <https://edweek.org>.