

Ohio

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Summary and Highlights

This snapshot examines the revenue sources and funding equity for district schools and charter schools in Ohio, and, in particular, Cleveland and Dayton, during FY 2006-07 (Figure 1).¹

In the following figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district PPR varies between districts. The weighted values estimate how much more or less per pupil funding

Figure 1: District and Charter School Revenues and Enrollments

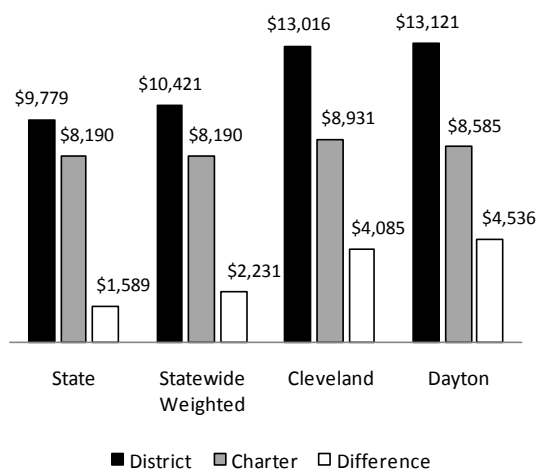
Ohio (2006-07)	Statewide		Statewide Weighted for Charter Enrollment		Cleveland		Dayton	
Per pupil Revenue								
District	\$9,779		\$10,421		\$13,016		\$13,121	
Charter	\$8,190		\$8,190		\$8,931		\$8,585	
Difference	(\$1,589) (16.2%)		(\$2,231) (21.4%)		(\$4,085) (31.4%)		(\$4,536) (34.6%)	
Per pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$760	\$923	\$1,046	\$923	\$2,290	\$1,207	\$2,129	\$812
State	\$4,097	\$6,991	\$4,531	\$6,991	\$6,687	\$7,464	\$5,811	\$7,237
Local	\$4,921	\$0	\$4,843	\$0	\$4,039	\$0	\$5,181	\$0
Other	\$0	\$276	\$0	\$276	\$0	\$261	\$0	\$535
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$9,779	\$8,190	\$10,421	\$8,190	\$13,016	\$8,931	\$13,121	\$8,585
Enrollment								
District	1,726,715 95.8%		N/A N/A		54,617 84.0%		15,887 70.0%	
Charter	75,516 4.2%		N/A N/A		10,439 16.0%		6,824 30.0%	
Charter Schools	303		N/A		41		29	
Total Revenue								
District	\$16,884,921,660 96.5%		N/A N/A		\$710,911,234 88.4%		\$208,450,249 78.1%	
Charter	\$618,476,772 3.5%		N/A N/A		\$93,233,310 11.6%		\$58,586,018 21.9%	
Total	\$17,503,398,432		N/A		\$804,144,543		\$267,036,266	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	7.8%	11.3%	10.0%	11.3%	17.6%	13.5%	16.2%	9.5%
State	41.9%	85.4%	43.5%	85.4%	51.4%	83.6%	44.3%	84.3%
Local	50.3%	0.0%	46.5%	0.0%	31.0%	0.0%	39.5%	0.0%
Other	0.0%	3.4%	0.0%	3.4%	0.0%	2.9%	0.0%	6.2%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in district school funding if subjected to charter funding structure								
	(\$2.5 billion)				(\$214.9 million)		(\$64.3 million)	

charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

Highlights of Our Findings

- District schools statewide received \$9,779 per pupil from all funding sources, but charters statewide received \$8,190 – a difference of \$1,589 or 16.2 percent.
- Ohio charter schools received \$8,190 per pupil but district schools would have received an estimated \$10,421 to educate the same students – a difference of \$2,231 or 21.4 percent. Weighting the district PPR for charter enrollment therefore increases the funding disparity by \$642 from the statewide difference above.

Figure 2: Per Pupil Total Revenue for Ohio District vs. Charter Schools, FY 2006-07



- Cleveland charter schools received 31.4 percent less funding than district schools: \$8,931 vs. \$13,016 per pupil, a gap of \$4,085.
- Dayton charter schools received 34.6 percent less funding than district schools: \$8,585 vs. \$13,121 per pupil, a gap of \$4,536.

Primary Reasons for Funding Disparities

- Charter schools in Ohio lack access to significant local resources, including receipts from property, local sales tax, and other local tax

revenues.

- Charter schools lack access to school construction funding through both the Ohio School Facilities Commission and locally-approved bonds.

How Ohio Funds Its District Schools

The basic funding program in Ohio is called the “School Foundation Funding Program.” It consists of two parts:

- 1.A Foundation amount supported by an amalgam of state and local funds.
- 2.A supplement to the foundation program that adds a series of state categorical grants to schools. (In certain cases, the state funding is not enough to support programs, and local participation is required).

Each district’s foundation amount is calculated as a base level adjusted for the state-determined “cost of doing business” in the district.² The local share of this amount is calculated after determining in how much the district can afford to contribute, which depends upon its tax base. What remains is the state share. A state share percentage is calculated and used to determine the level of state funds for vocational and special education funding.³

The program pays for a district’s general operating expenses, including salaries, benefits, maintenance, and utilities. In addition to the foundation program, schools also receive funding for specific programs. The actual amount of state funds available to a school is based on a number of variables, including the cost-of-doing-business community factor, six special education factors, and a Disadvantaged Pupil Impact Aid (DPIA) adjustment factor.

Local districts have the authority to add to the statewide sales tax rate of 5 percent for the purpose of providing additional county and local public services, including education. Typically the

increase is between 0.75 percent and 2 percent within a given district.⁴

State aid is also provided to districts by the Ohio School Facilities Commission (OSFC) for renovation or new construction of school facilities.⁵ This funding exists outside the basic and categorical aid programs and the Commission gives priority to the poorest districts and/or schools with facilities that are in bad condition. District schools in Cleveland and Dayton also have access to the Big 8 Program fund, which provides matching funds for major repairs and renovation in the state's major cities, and the Accelerated Urban Initiative fund, which provides accelerated access to state funding for facilities. For calendar year 2007, the OSFC reported that the largest of the facilities projects was in Cleveland using over \$1.5 billion in funds (\$1.0 billion in state funding alone). Dayton's program was estimated to total \$488 million (\$297 million in state funding).

How Ohio Funds Its Charter Schools

Charter schools in Ohio receive federal funding in the same fashion as other public schools. State and local funding, however, work much differently. As with districts, the state calculates a foundation amount for each charter school and various categorical supplements. But since charter schools have no tax base, they have no "local share" to contribute to this amount. As a result, the state funds charter schools' foundation amounts fully, subtracting these amounts from the allocations that would have been made to the districts in which charter students reside. Districts are, in essence, forfeiting the per-student local portion of their "basic state aid" for each student attending a charter school.

Charter schools do not have access to two other sources that school districts use to supplement state foundation funding. First, as noted above, districts typically levy additional taxes to provide funds that go above and beyond the foundation level. These funds may pay for additional operating costs as well as for facilities.

Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state	X		
Charter schools are eligible for local funding		X	
Cap on funding a charter school can receive			X ⁶
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	X ⁷		
Charter schools receive differential funding	X ⁸		
State allows district to withhold funding from charter schools for providing administrative services	X ⁹		
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district	X		
Cap on number of charter schools	X ¹⁰		
Cap on number of charter schools authorized per year		X	
Cap on number of students attending charter schools		X	
Charter schools have an open enrollment policy	X ¹¹		

These funds do not "follow the child" to charter schools; they remain with the district even though the student is no longer enrolled there. Second, charter schools do not have access to the state facilities funding that districts enjoy. Like districts, charter schools may seek private contributions to try and make up for these shortfalls, but as the overall revenue numbers make clear, private funds do not come close to closing the gap.

The wealth of the district does not have a significant impact on the charter school per pupil allocation. The charter school base formula amount is the same regardless of the district's wealth. There is, however, a slight adjustment (parity aid) for charter schools but the primary factor that determines the amount of aid above the base formula is the income level of the student's family.¹² Since most of the children in urban districts are from lower income families, the end result is a higher allocation for charter school students enrolled in "poorer" districts. A lower income student residing in a wealthy district would receive nearly the same state allocation as if he or she were from a poorer district (except for parity aid).

The federal Public Charter School Program fund is the most important source of funding for start-up and implementation of new charter schools in Ohio. Startup grants totaling \$150,000 per year per school during a three-year period are provided (up to a total of \$450,000). In Ohio, the state also provides start-up and planning grants of up to \$50,000 per school.

House bill 364 was signed into law on January 7, 2003, by Governor Bob Taft and established a Community School Revolving Loan Fund.¹³ The fund, made up of federal monies and funds made available by the General Assembly, is designed to support charter school expenses associated with any element of the school's contract. A start-up charter school may receive multiple loans from the fund; however, no school can receive more than a cumulative \$250,000 loan amount during the period covered in its charter contract.

Facility Funding

As discussed previously, school districts in Ohio have access to three funding sources that are unavailable to charter schools; receipts from local tax revenues, state school construction funding through the Ohio School Facilities Commission, and locally approved bonds. Districts typically rely on these monies for construction and renovations of facilities.

Charter schools typically pay for facilities out of their operating funds. According to a report from the Ohio Legislative Office for Education Oversight, charter schools typically spend 6.4 percent of their annual operating budget for lease or mortgage costs.

The OSFC administers the Community School Classroom Loan Guarantee Program. This program does not provide facility funds directly to charter schools. Instead, the Program offers state credit enhancement for facility improvement loans, which improves a school's creditworthiness.¹⁴ As of January 2005, the OSFC has entered into guarantee agreements with 14 charter schools for a total guarantee commitment of \$7,608,354.

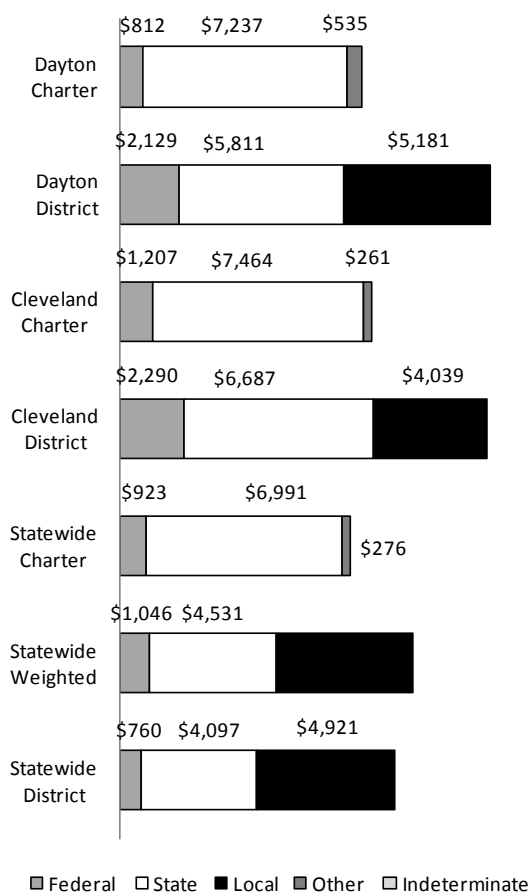
Charter schools may use a school district facility by contracting with the district. If a board of education decides to dispose of property suitable for classroom space, it must first offer the property for sale to start-up charter schools.

Primary Revenue Sources for Ohio's Public Schools

In Cleveland, local tax funds accounted for 31.0 percent of total district funding. In Dayton, 39.5 percent of all available resources were from local funds.¹⁵ Statewide, local revenue sources represented an average of 50.3 percent of the total resources available to district schools. Unlike districts, charter schools may not add to the statewide sales tax to support their education programs. (Ohio districts, on average, add 0.75 to 2.0 percent).

While charter schools may receive assistance through the OSFC in the form of loan guarantees, they do not receive direct state aid for facilities. District schools receive funding through the OSFC for renovation or new construction of school facilities. District schools in Cleveland and Dayton also have access to two funding programs discussed earlier which are aimed at supporting facilities in urban areas (the Big 8 Program fund and the Accelerated Urban Initiative fund).

Figure 4: Per Pupil Revenue by Source for Ohio District vs. Charter Schools, FY 2006-07



The two districts serve a more expensive student population (a greater percentage of children classified as needing special education, a smaller percentage of kindergarten children,¹⁶ and a greater percentage of students from low-income families). A slightly greater percentage of students enrolled in the free or reduced price lunch program are served in charter schools (43.2 percent vs. 33.4 percent).

Recent Changes and Challenges

Internet- or computer-based charter schools (“e-schools”) are prohibited from receiving (1) vocational education weighted funding, (2) parity aid, and (3) poverty-based assistance, including funding for all-day kindergarten. Beginning in FY 2006-07, e-schools are also limited through FY 2009 to 80 percent of the calculated per pupil base-cost amount unless certain conditions are

satisfied. Additionally, the state has established procedures for paying state funds to a charter school for a student enrolled in the school and living in a residential ‘home.’”

Figure 5: School Characteristics

Ohio (2006-07)	Statewide District	Statewide Charters
Percentage of students eligible for free or reduced price lunch	33.4%	43.2%
Percentage of schools eligible for Title I	68.3%	79.5%
Percentage of students by school type:		
Primary (K-5)	45.0%	42.6%
Middle (6-8)	20.0%	3.0%
High (9-12)	31.1%	15.2%
Other (K-12, K-8, etc.)	3.9%	39.2%

State Scorecard

We have assigned ratings to each state based on the quality of data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 6).

In Figure 6, we judged “Data Availability” on the ease of access to the information needed for this study and others like it. A rating of “Yes” means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of “Partial” means some but not all of the data for this study were available either through web sources or through state departments of education. A rating of “No” means the data were not available either through web sources or through state departments of education.

Separately, we judged “Funding Formula” based on whether or not charters were considered Local Education Agencies for purposes of funding. “Yes” means that charters in the state are always considered LEAs for all forms of funding. “Partial” means that charters are sometimes considered LEAs for specific streams of funding (such as

Figure 6: State Scorecard

Findings		OH
Federal Funding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y
	Percentage of federal revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)	Y
	Percentage of state revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	>
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	N
	Percentage of local revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N
	Percentage of facilities revenue is <i>greater than</i> (> black), <i>equal to</i> (=; black), or is <i>less than</i> (< white) that of total enrollment for charter schools	<
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)	Y
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y
	State funds student (black) or the LEA (grey)	S
	State funding formula is fair and equitable (Yes = black, No = white)	N

federal revenue) or that only certain charters are considered to be LEAs. “No” means charters in the state are never considered an LEA for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding.

Endnotes

¹ See note five, below, for an explanation of this extrapolation.

² The “cost-of-doing-business factor is being phased out due to passage of H.B. 66 in 2005.

³ The discussion of the foundation program is largely taken from the summary for Ohio in the National Conference on State Legislatures Education Finance Database. Available online at: http://ncsl.org/programs/educ/ed_finance/index.cfm.

⁴ Ibid.

⁵ For more information on the Ohio School Facilities Commission (OSFC), search by district and program at <http://www.osfc.state.oh.us>

⁶ Internet- or computer-based Community Schools receive only the formula amount and the special education weighted amount.

⁷ The amount of state funds available to a school is based on a number of variables, including a cost-of-doing business factor for a community, six special education factors, and a Disadvantaged Pupil Impact Aid (DPIA) adjustment factor. Schools receive one-half the funding for kindergarten students.

⁸ See 4 above.

⁹ The state allows sponsors to charge up to a 3 percent administrative fee (of per pupil funding) to provide sponsorship. Sponsors may also sell additional services to schools.

¹⁰ Ohio law allows 30 start-up charters authorized by non-district entities and 30 start-up charters authorized by districts above the number open as of May 5, 2005. Operators of charter schools with a track record of success are not subject to these restrictions, though. Ohio law also has a moratorium in place on new virtual schools.

¹¹ There are three open enrollment policies in Ohio. Two are concerned with intradistrict transfers that allow students in low-performing schools to attend different schools within the school district. The third is an interdistrict (voluntary) policy which requires districts to determine whether they will admit nonresident students. "E-schools" are a good example of schools operating under the state's open enrollment policies.

¹² Districts qualify for parity aid when they fall below the 80th percentile of all districts according to wealth. School districts may spend this money in any area of need.

¹³ Ohio HB 365, available at http://www.legislature.state.oh.us/bills.cfm?ID=124_HB_364.

¹⁴ The program was created by the Ohio General Assembly in House bill 94, in Section 3318.50 and 3318.52 of the Ohio Revised Code.

¹⁵ If payments to charter schools had not been excluded from the district's total revenues, the percentage of local revenues would have been less (26.7 percent in Cleveland and 35.9 percent in Dayton).

¹⁶ Kindergarten students are funded at one-half of the regular student population.