

OHIO

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I. GENERAL BACKGROUND

State

The state financial contribution to public schools in Ohio is based on a foundation formula for funding that requires a specified level of local effort. However, the basic aid to schools program includes several categorical grants in aid that supplement the foundation. The recent trend in state funding for the basic aid plan has been toward increase, perhaps due to pressures from litigation that began in 1991. The same litigation has led to a public school fiscal environment that is characterized by funding formulas and budget amounts that change continuously.

Local

There are 611 local public school districts in Ohio as well as 49 joint vocational school units (JVS units). Local revenues are generated primarily from local property taxation but some districts employ a modest income tax to directly support schooling and some localities require a payroll tax that can have indirect effects on school funding.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$	4,470.1	million
Grants in aid	4,470.1	million		
Teacher Retirement Contributions	0	million		
FICA	0	million		
Total Local School Revenue*		\$	6,022.5	million
Property Tax	5,881.4	million		
Other local source tax revenue	120.5	million		
Local source non-tax revenue	20.6	million		
Total Combined State and Local School Revenue		\$	10,492.6	million
State Financed Property Tax Credits				
Attributable to School Taxes		\$	664.0	million

II. LOCAL SCHOOL REVENUE

Property Tax

The property tax is applied to real estate properties as well as the tangible personal properties owned by businesses, industries, and public utilities. Major property classifications (assessment ratios) are residential and agricultural (35%) and commercial and industrial (35%). However, much of the agricultural property classification makes for a disproportionately smaller tax base due to the advent of Current Agricultural Use Valuation (CAUV) as different from real or true market valuation that is used across the other property classifications. The property tax rate is expressed in millage and it is subject to local vote, with the exception being 10 mills that can be mandated by and for the local tax jurisdictions.

Income Tax

A local school district income tax is allowed in .25% increments and it is applied to the personal income of residents if local vote supports such action. This is separate from the state income tax that goes directly into the state general revenue fund.

Sales Tax

The statewide sales tax is 5% but localities have the option to increase this amount for specific purposes. Some examples of this variation include a sales tax rate that is 5.75% in Columbus and 7% in Cleveland—these marginal increases support additional county and local public services and obligations.

Tax Credits and Exemptions

A real estate property tax credit is provided to taxpayers as a percentage of taxes due; further, property tax exemptions are granted on residential properties to low income elderly or disabled persons. The general property tax credits are 10% of the taxes due on each real estate property and an additional 2.5% of the taxes due on each owner-occupied residential real estate property; in addition, the first \$10,000 valuation of tangible personal properties owned by businesses are exempt from taxation. It should be noted that the potentially adverse effects of the real estate property and tangible personal property tax credits on local school district revenues are reduced by state reimbursements that flow directly to local school districts.

III. TAX AND SPENDING LIMITS

While local property tax assessments are periodically adjusted, the adjustments do not automatically result in additional revenues for schools. Rather, when property values increase by adjustments in assessed valuation, millage rates correspondingly decrease to result in equal voted property tax levy amounts. Local school districts that encounter deficit spending situations may obtain “emergency loans” from the State of Ohio. This practice provides an interesting contrast to recent legislation that attempts to require all local school districts to maintain emergency cash reserves.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

State lottery profits are earmarked and appropriated to support vocational and special education programs as well as a portion of the basic aid to schools funding program. As well, state budget surplus funds have historically been dedicated to other school programs as well as non-recurring educational projects. For 1998–99 the projected lottery revenues are \$698,873,028.

V. BASIC SUPPORT PROGRAM

Funding in 1998–1999: \$3,653.0 million.

Percentage of Total State Aid: 81.7%.

Nature of the Program: The basic support program is referred to as the School Foundation Funding Program. The program includes one part that is a foundation amount supported by local and state participation and a second part that supplements the foundation amount with a number of categorical grants in state aid to schools. Some of the categorical grants in aid amounts are not sufficient to support their intended program objectives and, therefore, local fiscal participation is required.

Allocation Units: The basic support program is based on current pupil enrollments or the three-year average of pupil enrollments. The average daily membership (ADM) construct is used.

Local Fiscal Capacity: The baseline wealth measurement has historically been local property valuation, although some measurements of income wealth have been phased-in gradually. Increases in property valuations due to reappraisal are phased-in over a three-year period to avoid sudden and sharp increases in local fiscal effort and capacity as reflected in state foundation formula aid calculations.

How the Funding Formula Works: The preliminary formula with respect to the foundation amount follows:

$$\text{Foundation} \times \text{Membership} \times \text{CODB}$$

Where, CODB is a “Cost of Doing Business” factor that attempts to adjust for regional differences in cost of living or the cost of procurement of goods and services.

The preliminary formula result is the basic program cost of what is estimated to be an adequate schooling experience. The state aid contribution to the basic program cost is then calculated as follows:

$$\text{Basic Program Cost} - (\text{Property Valuation} \times \text{Charge-off Millage})$$

The result of this calculation is state “formula aid” which is then supplemented by several categorical aids and adjustments that eventually lead to the total amount of state funding for each school district.

For 1998–99, the foundation amount is \$3,851 and each locality must tax properties at the rate of 20 mills to participate in the program; however, the “Charge-off Millage” used in the formula above is 23 mills.

Local Share and State Share: The first part of the School Foundation Funding Program requires local participation up to the foundation amount in a proportional state aid scenario that is dependent on local fiscal capacity. The second part of the program provides categorical state aid supplements with the important qualification being that categorical program costs may exceed state grants in aid and that the excess costs must be borne by increased local participation.

Weighting Procedures: The pupil unit weightings for state formula aid are .5 for kindergarten, 1.0 for grades 1–12, and .25 for vocational education pupils who receive services from other educational units such as joint vocational schools (JVS units). The entire average daily membership is included in this baseline weighting procedure but state aid provisions that operate through categorical supplements attempt to address the higher costs that are incurred to provide services in more expensive program areas such as special education. The special education supplement is based on additional pupil unit weightings that include

three major categories to correspond to the severity of each pupil's handicapping condition: The mildest category of condition supports an additional .22 weighting followed by the next category that supports an additional 3.01 weighting; and, the most severe category of condition also supports an additional 3.01 weighting but allows for the further provision of state aid to subsidize more expensive individual educational program costs.

Adjustments for Special Factors: In addition to those adjustments described in corresponding sections, the School Foundation Funding Program includes provisions that place a cap on the amount of state aid that is provided to each school district and that guarantees protection for each school district from sudden decreases in state aid funding due to changes in the legislated operating formulae.

Aid Distribution Schedules: In general, school districts receive state aid distributions twice per month.

Districts Off Formula: 147 of 611 school districts are off-formula but each of these districts receive a state aid guarantee that is at least equal to its 1998 allocation.

VI. TRANSPORTATION

Funding in 1998–1999: \$231.6 million.

Percentage of Total State Aid: 5.2%.

Description: Categorical aid for transportation is targeted to provide school districts with 50% of their transportation costs. The basis of this aid is the historical, statewide transportation expenditure, adjusted for pupil concentration per linear mile. This state aid is distributed to each school district in accord with the average estimated efficient cost of providing transportation services and the district's unique geographic pupil concentration. In addition, there is a special education transportation allowance that attempts to recognize the need for special routes and means of transportation for special education pupils.

Extent of Participation: Not reported.

VII. SPECIAL EDUCATION

Funding in 1998–1999: \$203.6 million.

Percentage of Total School Aid: 4.5%.

Description: The preliminary calculation of state formula aid includes special education pupils with no consideration given to program costs. However, as described in the Weighting Procedures section, additional special education pupil unit weightings are used in the determination of special education categorical aid. The total of additional special education weighted units is multiplied by the foundation amount of funding and then this figure is supported by state aid in the same proportion that state formula aid is provided to the school district. In addition, there is a special education allowance for preschool students who have handicapping conditions.

Extent of Participation: Not reported.

VIII. COMPENSATORY EDUCATION

Funding in 1998–1999: \$386.6 million.

Percentage of Total School Aid: 8.6%.

Description: Compensatory services are supported through the major categorical part of the basic aid to schools program: Disadvantaged Pupil Impact Aid (DPIA). This supplement is provided to school districts that serve pupils who are disadvantaged in economic terms, in an attempt to recognize and subsidize pupils who come from socioeconomic environs that may cause them to be more expensive to educate.

Extent of Participation: Not reported.

IX. GIFTED AND TALENTED EDUCATION

Funding in 1998–1999: \$36.3 million.

Percentage of Total School Aid: less than 1%.

Description: The preliminary calculation of state formula aid includes gifted and talented education pupils with no consideration given to program costs. However, for each pupil as qualified by the state officiate as “gifted,” each school district receives categorical aid that includes a teacher salary allowance and a per pupil cost of gifted program allowance.

Extent of Participation: Not reported.

X. BILINGUAL EDUCATION

Funding for bilingual education can be derived from other basic aid and categorical grants in state aid as well as federal grants in aid.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–1999: 67.4 million.

Percentage of Total School Aid: 1.8%.

Description: Disadvantaged Pupil Impact Aid (DPIA) includes provisions for all day kindergarten in qualifying school districts that serve pupils who are disadvantaged in economic terms. In addition, there is a special education allowance for preschool pupils who have handicapping conditions.

Extent of Participation: Not reported.

XII. OTHER CATEGORICAL PROGRAMS

Equity and Power Equalization Aid

Funding in 1998–1999: \$79.5 million.

Percentage of Total School Aid: 1.8%.

Description: Equity aid is provided to the lowest wealth school districts in the state. In addition, power equalization enhancement aid is provided to school districts that fall below the state median wealth measurement. Both of these categorical aids attempt to recognize and subsidize the need for state aid equalization based on local fiscal capacity.

Extent of Participation: Not reported.

Vocational Education Aid

Funding in 1998–1999: \$202.0 million.

Percentage of Total School Aid: 4.5%.

Description: Vocational education aid provides enhancements to the preliminary calculation and provision of state formula aid that includes vocational education pupils with no consideration given to vocational program costs. For pupils who are qualified by the state officiate, school districts can receive supplemental enhancements for vocational programs.

Extent of Participation: Not reported.

Textbook Aid

Funding in 1998–1999: \$25 million.

Percentage of Total School Aid: less than 1%.

Description: Textbook aid is a flat grant that subsidizes the cost of textbooks and other instructional materials. (This subsidy has been eliminated for future years.)

Extent of Participation: Not reported.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–99: \$0 million.

Percentage of Total State Aid: N/A.

The State Teachers Retirement System (STRS) operates in lieu of social security although employees and local school districts are required to pay into the federated Medicare program. Under the STRS program, teachers contribute 9.3% of their salaries and local school districts contribute an additional 14% of that total salary amount. STRS is a defined benefit plan.

XIV. TECHNOLOGY

Funding in 1998–1999: \$32.5 million.

Percentage of Total School Aid: less than 1%.

Description: Significant investment in technology is made outside the basic aid and categorical aid to schools programs. For example, the Education Management Information System (EMIS) and Ohio Educational Computer Network (OECN) are used to provide administrative and instructional information technology and computer services for schools across the state. As well, the SchoolNet Plus program contains provisions for assistance in funding technology purchases.

Extent of Participation: Not reported.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1998–1999: \$0 million.

Percentage of Total School Aid: N/A.

Description: State aid associated with local school district facilities is distributed by the Ohio School Facilities Commission (OSFC). In general, this funding exists outside the basic aid and categorical aid to schools programs and the Commission prioritizes its activities towards buildings that are in poor condition in relatively low-wealth local school districts.

Extent of Participation: Not reported.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

There are substantial political pressures for education standards and accountability, especially given the implicit result of litigation that demands the legislature and citizens across the state to provide more tax dollars in support of public schooling. At the forefront, proficiency examinations have been reconfigured and more of this type of information has been made available to the public through 18 standard measurements of local school district performance and school building level “Report Cards.”

XVII. REWARDS/SANCTIONS

The state basic aid program includes some incentive and penalization with regard to classroom teachers and educational service personnel. For example, school districts that employ teachers who are above the state average experience level and formal education level are eligible to receive additional state aid funding; on the other hand, school districts that fail to employ a reasonable number of classroom teachers and educational service personnel in proportion to their pupil enrollments incur deductions from total state aid funding.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Some funding for charter schools is made available outside the basic aid and categorical aid to schools programs.

XIX. AID TO PRIVATE SCHOOLS

In addition to transportation, administrative cost reimbursement, textbook, and some auxiliary services aid, some private schools receive public funding through the school choice voucher program.

XX. RECENT/PENDING LITIGATION

The major litigation in Ohio is commonly referred to as the “DeRolph Case” which began in 1991. It was initially decided in 1994 when a common pleas court ruled against the constitutional adequacy of the State of Ohio’s system of school finance. In 1995, an appeals court overturned the lower court decision and supported the State’s system of school finance. However, in *DeRolph v. State*, 677 N.E.2d 733 (Ohio 1997) the Ohio Supreme Court upheld the lower court’s initial ruling and charged the Ohio General Assembly with responsibility for the establishment of a thorough and efficient system of school finance. Since then, the Ohio General Assembly enacted the school funding program described above but it was judged unconstitutional by the original trial court judge—this decision has been appealed to the Ohio Supreme Court for a final decision.

XXI. SPECIALTOPICS

As of this writing, promulgated by nine years of litigation and continuous attempts by the executive and legislative branches to satisfy judicial demands and economic constraints, the dynamic fiscal situation in Ohio threatens to change public school budget appropriations and state aid scenarios daily.