

FY2003	FY2007	FY2011
F	D	F
Grade based on % of Weighted Funding Disparity		

Ohio

By Larry Maloney

Introduction

This chapter compares district and charter school revenues statewide, and for Cleveland and Dayton, for fiscal year 2011 (FY11).¹ Comparisons are made to previous research for FY03 and FY07, based on the same methodology. Funding

disparities between districts and charter schools for the same matched geographic area are explored. The per pupil funding values in the analysis are weighted to compare districts and charter schools as though they served the same proportions of urban and suburban students (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. Also included in the monograph is a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- Ohio's 341 charter schools received 22.0 percent less funding than district schools: \$8,580 vs. \$10,998 per pupil, respectively, a difference of \$2,418 per pupil (Figures 1 & 3).
- The 50 charter schools in Cleveland received 45.7 percent less funding than district schools: \$8,523 vs. \$15,684 per pupil, a difference of \$7,161 per pupil (Figure 3).
- Dayton's 27 charter schools received 39.6 percent less funding than district schools: \$8,892 vs. \$14,732 per pupil, a difference of \$5,840 per pupil (Figure 3).
- Ohio's charter schools received \$8,580 per pupil, but district schools would have received more money to educate the same students, an estimated \$11,764 – a difference of \$3,184 or 27.1 percent. The weighted district per pupil revenue therefore increases the funding disparity by \$766 per pupil from the unweighted statewide difference above (Figure 3).
- Charter schools in Ohio educate 5.6 percent of the state's public school students but receive 4.4 percent of total revenue (Figures 2 & 3).
- Magnitude of Disparity: If all Ohio districts received the same level of per pupil funding as charter schools, they would have received \$3,957,087,587 less in total funding (Figure 3).

Figure 1

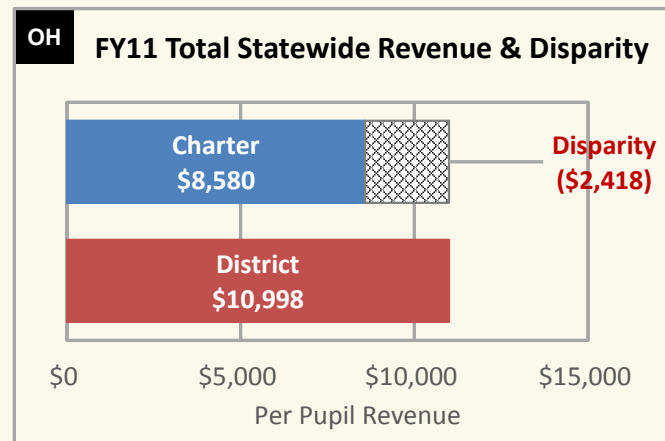
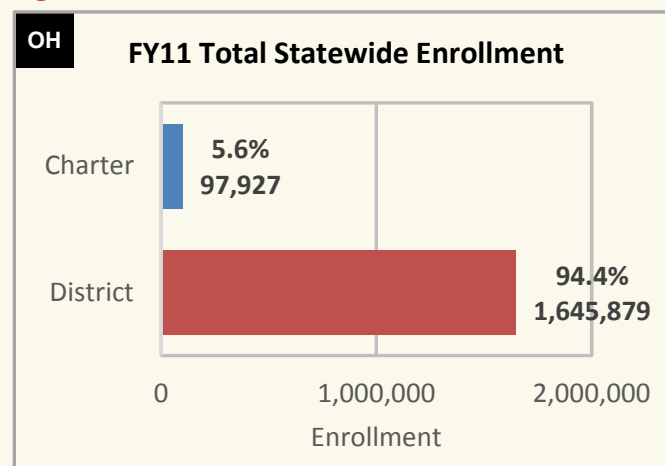


Figure 2



Probable Causes of the Disparities

- Ohio charter schools do not receive any Local funds: while funding from the state surpasses the funding provided to school districts, it does not completely compensate for the loss of Local funds.
- Ohio charter schools receive no funding for facilities.

Where the Money Comes From²

Ohio funds public education mainly from the state income tax and the state sales tax. The state lottery generates less than 10 percent of total state funding for education. Local revenues for education come mainly from school district property taxes, although a small portion comes from school district income taxes. State law defines what types of property and income may be taxed by a school district and subjects a large portion of these taxes to voter approval.

Figure 3

OH	Summary Data Table							
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Cleveland		Dayton	
Per Pupil Revenue								
District	\$10,998		\$11,764		\$15,684		\$14,732	
Charter	\$8,580		\$8,580		\$8,523		\$8,892	
Difference	(\$2,418)		(\$3,184)		(\$7,161)		(\$5,840)	
% of District	(22.0%)		(27.1%)		(45.7%)		(39.6%)	
Per Pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$1,043	\$1,216	\$1,417	\$1,216	\$3,534	\$1,336	\$2,474	\$1,349
State	\$4,950	\$7,364	\$5,488	\$7,364	\$8,291	\$7,187	\$7,482	\$7,543
Local	\$5,019	\$0	\$4,870	\$0	\$3,859	\$0	\$4,776	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public-Indeter.	(\$14)	\$0	(\$11)	\$0	\$0	\$0	\$0	\$0
Indeterminate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$10,998	\$8,580	\$11,764	\$8,580	\$15,684	\$8,523	\$14,732	\$8,892
Enrollment								
District	1,645,879 94.4%		Focus Area Districts educate 3.5% of district students		43,363 76.4%		14,175 68.2%	
Charters	97,927 5.6%		Focus Area Charters educate 20.3% of charter students		13,423 23.6%		6,603 31.8%	
Total Enrollment	1,743,806		N/A		56,786		20,778	
Charter Schools*	341		N/A N/A		50		27	
Revenue								
District	\$18,101,936,192 95.6%		N/A N/A		\$680,124,855 85.6%		\$208,825,839 78.1%	
Charter	\$840,227,962 4.4%		N/A N/A		\$114,403,782 14.4%		\$58,713,040 21.9%	
Total Revenue	\$18,942,164,154		N/A		\$794,528,637		\$267,538,879	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	9.5%	14.2%	12.0%	14.2%	22.5%	15.7%	16.8%	15.2%
State	45.0%	85.8%	46.7%	85.8%	52.9%	84.3%	50.8%	84.8%
Local	45.6%	0.0%	41.4%	0.0%	24.6%	0.0%	32.4%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Public-Indeter.	-0.1%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Indeterminate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Magnitude of Disparity = Total Funding Difference x District Enrollment (see above)								
	\$ (3,980,053,990)				\$ (310,543,450)		\$ (82,783,533)	

* The 341 charter schools in the state noted in Figure 3 are the number of charter schools that can be separately identified for purposes of revenue and enrollment analysis, and were analyzed. For FY11, the state provided financial and enrollment data for 342 charter schools in the state: one charter received funding but failed to open and therefore was excluded from this analysis.

How Ohio Funds its Districts³

The Ohio Supreme Court declared the state's funding of public education unconstitutional four times between 1997 and 2002. Several attempts at changes have been made since then, but the funding system remains unconstitutional to this day. In 2009, then Governor Ted Strickland released a new funding formula that survived two years, including the year of this study. The state used a different funding mechanism beginning in the FY12 school year. During the period of this study, the evidence-based model (EBM) charted the path for providing education funding. That system relied on weighted student enrollment figures from the previous year, as well as the number of schools by type, which then assigned a number of students to the school: 418 for elementary school, 557 for middle school and 733 for a high school. The formula also determined the number of buildings a district should have based on the number of pupils in the above school configurations.

The formula accounted for the local share of funding and compensated property-tax poor districts with higher levels of state aid, and the formula also considered the wealth and poverty factors of communities. Finally, the formula assigned a category to every district in the state – zero for the five smallest districts up to seven for urban/suburban districts with very low poverty rates. With this information, the state used the formula to assign the number of teachers that would be funded at each school, the number of specialists, special education teachers, aides, guidance counselors – all the staff positions typically found in a school, as well as funding for operations and maintenance of facilities and transporting students.

How Ohio Funds Its Charter Schools

From the inception of the new EBM funding formula, charter schools received different treatment as the state provided a flat per pupil amount of \$5,703 for basic education costs in FY11. Charters could receive additional funds for special education students, students eligible for free and reduced price lunch, and career-technical education.

Funding for Public School Facilities⁴

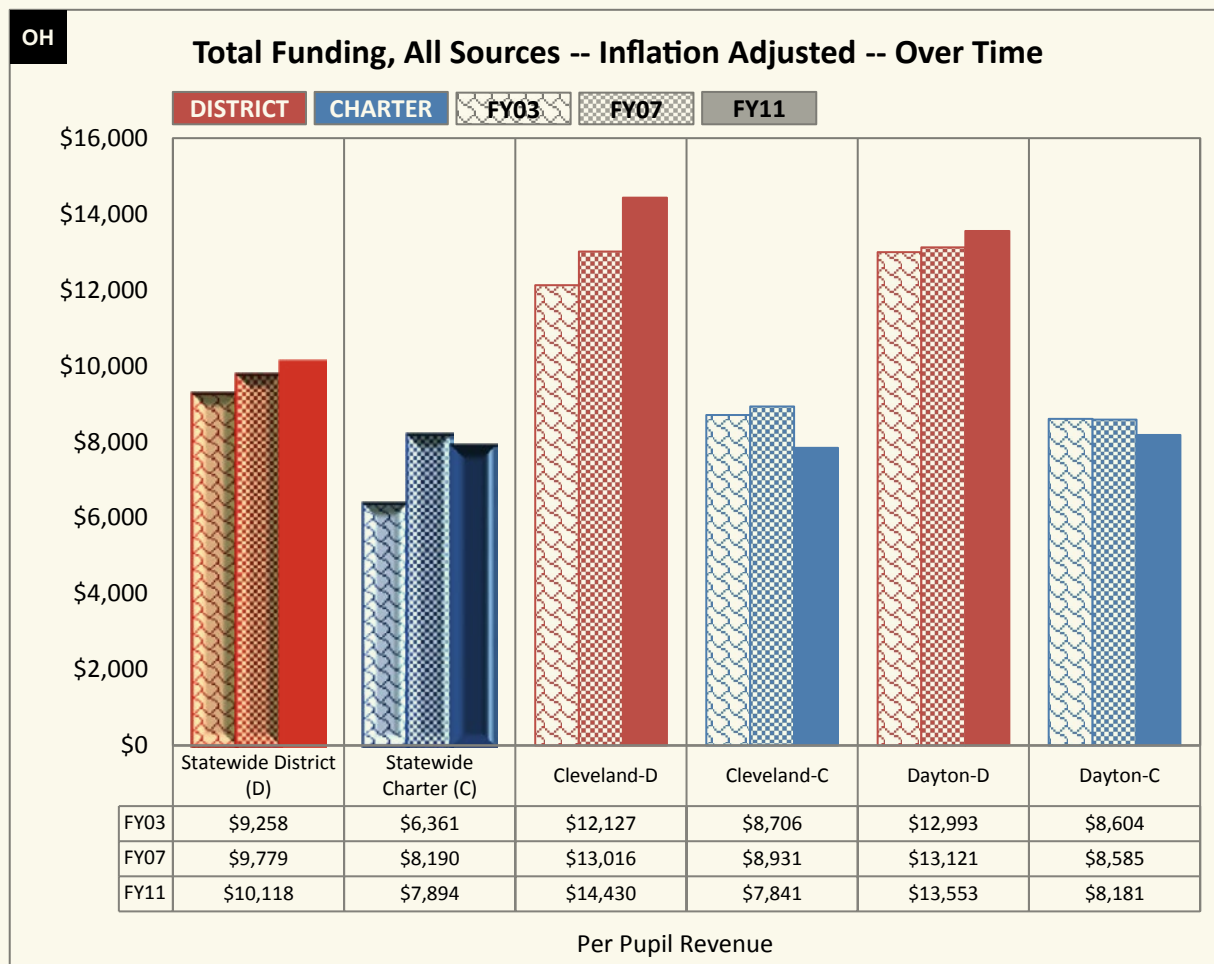
In 2011, charter schools in Ohio received no state support for facilities. In the absence of direct support, the law allows charters to secure loans via the Community Schools Facilities Guaranteed Loan Program, but the state provided no funding in FY11 for that program. The state also has authorized a revolving loan fund for charter schools, allowing a maximum and cumulative total of \$250,000 that must be repaid in five years. However, the state has provided no funding for that program, either.

Long-Term Funding Patterns

For Ohio, we now have three point-in-time snapshots of public education funding for FY03, FY07, and FY11.⁵ Please note that in the presentation and discussion of longitudinal data that follows, the figures used are inflation adjusted to 2007 dollars and differ from figures presented in Figure 3, which includes actual and weighted per pupil revenues representing FY11 only. The inflation adjusted per pupil revenues in Figures 6 – 8 are for comparative purposes only. Refer to the Methodology section for more on inflation adjustments.

Total Funding

Figure 6



Public education funding for Ohio's districts grew 9.3 percent between FY03 and FY11, rising from \$9,258 to \$10,118 per pupil in FY11, or \$860 per pupil. Statewide, funding for Ohio's charter schools increased 24.1 percent during the same period, rising from \$6,361 to \$7,894 per pupil during the same period, or \$1,533 per pupil. While charters statewide reported an overall funding increase between FY03 and FY11, revenue actually declined by 3.6 percent during the downturn in the economy, or \$284 per pupil.

Cleveland's district also recorded a funding increase from FY03 to FY11 with total revenues rising by 19.0 percent, from \$12,127 per pupil to \$14,430 per pupil. Total funding for the district continued to increase during the recession, rising \$1,414 per pupil, or 10.9 percent. The city's charter schools, however, recorded a loss in funding between FY03 and FY11, from \$8,706 per pupil to \$7,841 per pupil, a decline of 9.9 percent. The downturn in the economy played a primary role in the overall decline as total revenue for Cleveland's charter schools fell by 12.2 percent between FY07 and FY11, or \$1,090 per pupil.

In Dayton, district revenue increased by a modest 4.3 percent, from \$12,993 per pupil in FY03 to \$13,553 in FY11, or \$561 per pupil. Funding for the district continued to grow during the downturn in the economy, rising \$432 per pupil between FY07 and FY11, or 3.3 percent. The city's charter schools, however, recorded a decline in funding between FY03 and FY11, from \$8,604 per pupil to \$8,181 per pupil, or a total decline of 4.9 percent. The majority of the decline in charter revenue, as with Cleveland's charter schools, occurred during the economic crisis, when charter funding fell \$404 per pupil, or 4.7 percent.

Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. Other is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Therefore, we have removed Other dollars from this level of analysis to determine if funding from public sources is distributed equitably to districts and to charter schools. Public includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate.

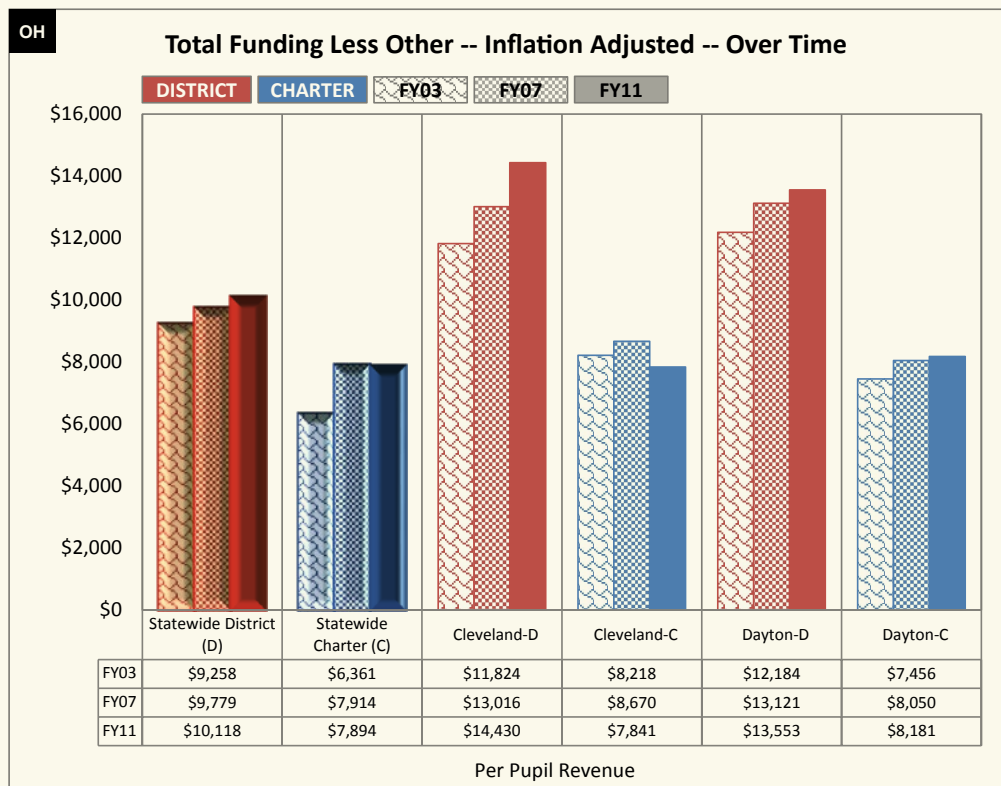
Public education funding from Local, State and Federal sources for Ohio's school districts statewide rose by \$860 per pupil between FY03 (\$9,258) and FY11 (\$10,118), or 9.3 percent. Public funding for districts statewide continued to rise during the economic crisis but at a slower rate of 3.5 percent, or \$339 per pupil. Statewide charter schools recorded a higher percentage increase in public funding than the state's districts, rising from \$6,361 per pupil in FY03 to \$7,894 per pupil in FY11, an increase of 24.1 percent. However, those gains occurred prior to the economic downturn as public funding for charter schools actually declined between FY07 and FY11 by \$20, or 0.25 percent.

Cleveland's district recorded robust growth in public funding between FY03 and FY11 – 22.0 percent, rising from \$11,824 in FY03 to \$14,430 per pupil in FY11. Funding during the downturn in the economy grew at a slower pace, however, rising 10.9 percent, or \$1,414 per pupil between FY07 and FY11. Charters in Cleveland recorded a decline in total public between FY03 and FY11, falling from \$8,218 per pupil to \$7,841 per pupil, or 4.6 percent. The decline in charter public funding actually occurred during the recession when total public dollars fell by 9.6 percent, or \$829 per pupil.

In Dayton, the district recorded 11.2 percent growth in public funding between FY03 and FY11, rising from \$12,184 in FY03 to \$13,553 in FY11. Funding during the downturn in the economy, however, stagnated for Dayton's district with only a 3.3 percent increase in public funding between FY07 and FY11, or \$432 per pupil. Charters in Dayton recorded a smaller increase than that recorded by the district with public funding increasing 9.7 percent between FY03 (\$7,456) and FY11 (\$8,181). However,

the rate of growth in public funding for charter schools also stagnated during the economic crisis with total public funding rising \$131 per pupil, or 1.6 percent.

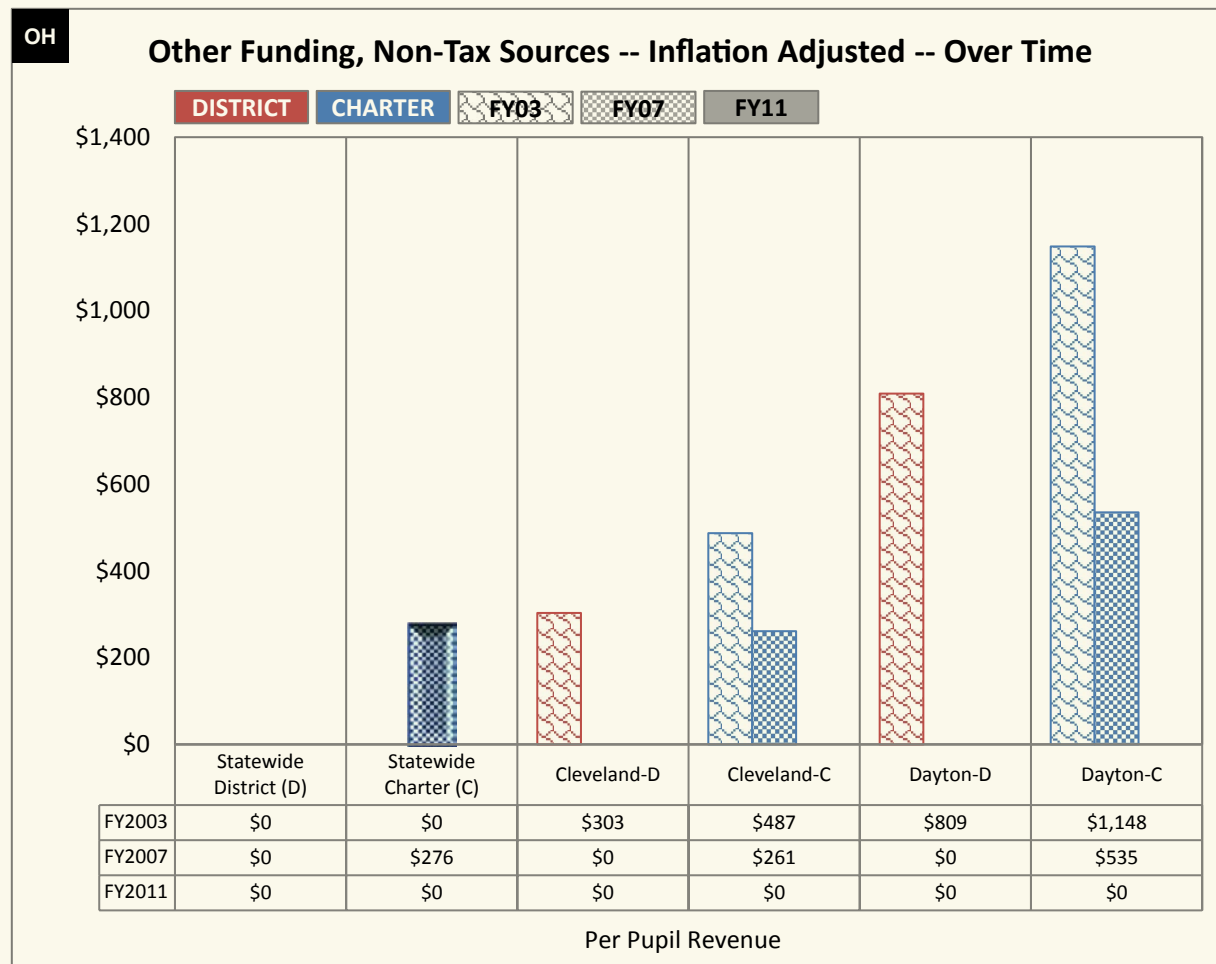
Figure 7



Other Funding

Other revenue encompasses all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, and philanthropy. Of all the sources included in Other revenue, philanthropy has often served an important role in charter school financing to narrow the equity gap, and it is the largest source of funding in this category. We could not obtain Other revenue data for FY11 data and only record Other for charters in the FY07 data. Therefore, our discussion of Other is limited to charters for the FY03 and FY07 study years (Figure 8). In Cleveland, funding from Other sources for Charters declined significantly between FY03 and FY07, falling from \$487 per pupil to \$261 per pupil, or 46.4 percent. Other funding for Dayton's charters followed a similar path, declining 53.4 percent between FY03 and FY07, from \$1,148 to \$535 per pupil.

Figure 8



Changes in Funding Results

Figure 9 shows the percentage increase/decrease in funding between FY03 and FY11 by each type of revenue stream. Because of the complications and changes in data availability and reporting quality for charter schools in many states in this study, the data reported in this figure may be somewhat misleading or incomplete due to different formats used for state data collection across the three reports.⁶ Total funding increased by 9.3 percent for the state's districts between FY03 and FY11, while total funding rose for the state's charters by 24.3 percent. In Cleveland, the district recorded a 19.0 percent increase during the same period, but the city's charter schools recorded a 9.9 percent decline in total funding. Dayton's district recorded a 4.3 percent increase in total funding between FY03 and FY11, while the city's charter schools experienced a 4.9 percent decrease in funding during the same period.

Figure 9

OH Per Pupil Revenue -- Inflation Adjusted -- Over Time Percentage Increase / Decrease (black shading)					
From/To: FY2003 / FY2011	Federal	State	Local	Other	Total
Statewide District (D)	55.6%	9.5%	3.1%	N/A	9.3%
Statewide Charter (C)	N/A	N/A	N/A	N/A	24.1%
Cleveland-D	N/A	N/A	5.3%	N/A	19.0%
Cleveland-C	1313.1%	-3.0%	N/A	N/A	-9.9%
Dayton-D	N/A	N/A	-16.5%	N/A	4.3%
Dayton-C	214.8%	10.9%	N/A	N/A	-4.9%

Finally, Figure 10 shows changes to the variance in funding between Ohio's districts and charter schools for FY03, FY07 and FY11. The variance represents the difference in funding between a district and the charters located within the boundaries of the district. When the percentage nears or is at zero, the district and the charters are being funded equitably. Statewide, the variance has narrowed between districts and charters from 31.3 percent in FY03 to 22.0 percent in FY11. The disparity in Cleveland, however, widened significantly, from 28.2 percent in FY03 to 45.7 percent in FY11. Dayton's disparity also widened from 33.8 percent in FY03 to 39.6 percent in FY11.

Figure 10

OH Disparity as Percent of District -- Over Time Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	-31.3%	-16.2%	-22.0%
Cleveland	-28.2%	-31.4%	-45.7%
Dayton	-33.8%	-34.6%	-39.6%

Figure 11: Select Enrollment Characteristics⁷

Figure 11 below shows data for both charter and district select student enrollments that often result in additional revenue. We include this data, if available, to look at possible differences in the types of students served to discern if high need student populations may be resulting in higher levels of funding for either charters or district schools.

Statewide, fewer Ohio district schools were Title I eligible than the state's charter schools, 78.3 percent versus 86.9 percent, respectively.⁸ Second, the number of free or reduced-price lunch students indicates, however a higher

percentage of those students attending charter schools (48.1%) as opposed to district schools (42.2%). Both districts and charters statewide serve similar percentages of special education students.

Figure 11

OH	Select Enrollment Characteristics								
Student Group >>> Year >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07	FY11
Statewide District	80.8%	33.4%	42.2%	96.5%	68.3%	78.3%	N/A	N/A	14.9%
Statewide Charter	77.6%	43.2%	48.1%	97.1%	79.5%	86.9%	N/A	N/A	14.1%

State Practices Scorecard

We have assigned ratings to each state based on the quality of the data available, as well as to the extent charter schools have access to specific streams of revenue (Figure 12).

Figure 12

OH	Funding Practices Summary							
PURPOSE	GRADE			FUNDING				REF
This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source	
	F	D	F					
	Grade based on % of Weighted Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	Y	Y	N	N				
In practice, do charter schools have at least as much access to this funding source as districts have?	Y	Y	N	N				
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	Y	Y	N	N				
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?						Y		
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?						Y		
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?						Y		
Does the state provide funding for charter schools and districts based primarily on student enrollment?						N		1

1 For FY11, Ohio's evidence-based model funded districts by assigning a certain number of students to a building, after which personnel were assigned to the building. The state now uses a different funding mechanism for districts. Charter schools in FY11 received a flat rate of \$5,703 per pupil.

Endnotes

- 1 The Ohio Department of Education provided the 2010-11 district and charter revenue data used for this study.
- 2 School Funding Complete Resource. Ohio Legislative Service Commission. February 2011. <http://www.lsc.state.oh.us/schoolfunding/edufeb2011.pdf>
- 3 Ibid.
- 4 “Building Charter School Quality in Ohio,” The National Alliance for Public Charter Schools, et. al. February 2011.
- 5 Data for FY03 compiled by the authors for the Thomas B. Fordham Institute report, *Charter School Funding: Inequity’s Next Frontier*, 2005. Data for FY07 compiled by the authors for the Ball State University Report, *Charter School Funding: Inequity Persists*, 2010.
- 6 The format of data provided changed across the three reporting periods in this study, leading to an inability overall to report accurate data for this figure. Additionally, statewide charter data for the FY03 study was unavailable. Instead, all statewide charter figures in that year were extrapolated from the data collected on charter schools in the focus school districts, Cleveland and Dayton. We calculated the average per pupil revenue in those two districts, weighted by the districts’ charter school enrollment, and multiplied it by the total number of charter schools in the state. The authors acknowledge that this data may not be representative of patterns due to differences between urban districts and property wealth. However, it is a reasonable projection given the data available at that time.
- 7 National Center for Educational Statistics (NCES). Common Core of Data, Table Generator, FY11: <http://nces.ed.gov/ccd/elsi/>. NCES had no Title I or free or reduced-price lunch (FRPL) data entered for 1 charter school or 5.0% of all charter schools. Likewise, the file had no Title I or FRPL data entered for 10 district schools or 5.0% of all district schools statewide. These schools were omitted from the tally.
- 8 Free or reduced priced lunch and Title I eligibility data for FY03 research pertains to Cleveland and Dayton only.