

**League of Women Voters of Ohio**  
**Conference Call: *FY14-15 Education Budget***  
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### **Background Information for *the FY14-15 Education Budget***

Governor Kasich is expected to introduce his administration's FY2014-15 state budget in early February 2013. Ohio law requires the governor to introduce a biennial budget within four weeks after the start of the General Assembly.

News services are reporting that Governor Kasich is likely to introduce a state budget proposal that cuts the state income tax, closes tax loop holes and some deductions, increases the severance tax on shale drilling, and addresses education reform/funding in a separate bill. The governor has indicated that the budget will again be tight, and the \$500 million in the Budget Stabilization Fund (rainy day fund) is likely to be left alone.<sup>1</sup>

What might be included in the next education budget? How should the League of Women Voters of Ohio (LWVO) respond? What kind of activities are Leagues in Ohio already doing to prepare for the next education budget?

The following is some background information about the current status of funding for Ohio's schools with references to reports that provide more details. Also included is a chart that describes some of the policy changes that might be included in the next budget for education, along with possible responses from the LWVO based on our positions.

In addition, the conference call will include information about what other Leagues are doing to prepare for the next budget, and some possible actions that Leagues could take to better understand the current status of funding for public schools.

### **Current State Funding for Public Schools: HB153 FY12-13**

Under Governor Kasich's FY12-13 budget (HB153), schools received a total of \$15.1 billion in General Revenue Funds (GRF) through a temporary school funding formula for traditional public schools referred to as the "bridge formula". This formula replaced the Evidence-Based School Funding Model developed by the Strickland administration for traditional public schools, but community schools continued to receive funding as a deduction from school district foundation aid based on the same criteria used in 2009.

Several voucher programs were also funded mostly as a deduction from school district foundation aid costing school districts about \$125 million in FY2012. Ohio has established five voucher programs that operate under different laws and rules: the Cleveland Scholarship Program; the Autism Scholarship Program; the Ed Choice Scholarship Program; the Jon Peterson Scholarship Program for students with special needs, and the SEED Boarding School in Cincinnati.

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<sup>1</sup> "Kasich's got plans for '13: Tax and reform packages are back on the table, joined by school funding and the turnpike" by Joe Vardon, Columbus Dispatch, December 20, 2012, accessed December 26, 2012 at <http://www.dispatch.com/content/stories/local/2012/12/20/kasichs-got-plans-for-13.html>

Recently the General Assembly approved a subsidy for some school districts that were losing more revenue than expected for students who had never attended public schools, but who were now enrolled in the Jon Peterson Scholarship Program. HB280 (Dovilla, Wachtmann) the Ohio National Guard Scholarship Program and the Ohio War Orphans Scholarship Program, allocates up to \$3.2 million from the Lottery Profits Education Fund to reimburse school districts for those students who have never attended public schools in Ohio, but are now participating in the Jon Peterson Scholarship Program.

Just to put state funding for schools in perspective, the total GRF for K-12 education for FY12 and FY13 is less than the \$15.8 billion that was available for K-12 education in FY08-09. According to a report by Policy Matters Ohio, current state funding for schools is about \$1.8 billion less than the previous two years.<sup>2</sup> The reduction in funding is a result of the following:

- The expiration of federal funds from the American Recovery and Reinvestment Act
- A decrease in federal funds for poverty and special education and programs
- A decrease in projected lottery profit revenue
- A reduction in property tax reimbursements to compensate school districts (and local governments) for the loss of tangible personal property tax revenue, which was eliminated as part of an overhaul of Ohio's tax system. Overall the amount of state revenue that is available to support state services has been reduced by about \$5 billion over the biennium as a result of the tax changes approved in 2005.

In addition, school districts are paying out more funds than they are receiving from the state foundation program to community schools and private schools through voucher programs. According to the Ohio Coalition for Equity and Adequacy for School Funding, Bill Phillis executive director, 572 school districts paid more for charter school students than they received from the state foundation program. School districts paid \$774 million to charter schools in FY12, which works out to an average of \$7,140 per student. However, the average amount of state dollars that school districts received in FY12 from the state foundation program was \$3,634 per student.

As a result of all of these factors, many school districts have experienced financial uncertainties during the current fiscal year 2012-13. A Policy Matters Ohio's report, entitled "The State Budget and Ohio's schools: Big cuts, hard choices, local impacts" by Wendy Patton, Piet van Lier, and Elizabeth Ginther (January 19, 2012), provides a statewide overview of the effects of budget reductions on schools. This report is based on a survey of school districts conducted in October 2011. A similar survey is being conducted for a report that will be released in January 2013. According to the 2011 survey:

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<sup>2</sup> "The State Budget and Ohio's Schools Big Cuts, Hard Choices, Local Impacts" by Wendy Patton, Piet van Lier, and Elizabeth Ginther, January 19, 2012 at <http://www.policymattersohio.org/wp-content/uploads/2012/01/SchoolFinanceJan2012.pdf>.)

- Sixty-five percent of responding school districts anticipated facing budget shortfalls during the 2011-12 school year compared to 45 percent the year before. The budget shortfalls are a result of a number of factors including
- The fiscal problems this year extended beyond high-poverty districts.
- Significant numbers of school districts of most types face budget gaps higher than five percent of operating costs.

An article by Dan Sewell of the Associated Press<sup>3</sup> also reported that the number of full time teachers in Ohio's public schools fell by nearly 6 percent over the past ten years. According to Ohio Department of Education statistics, Ohio had 108,888 school teachers in the 2010-11 school year compared to 115,453 teachers in 2001-02. The article noted that the reductions in staff have led to larger class sizes, fewer courses in the arts and foreign languages, and reduced staff support.

Although Governor Kasich has not reported many details about the funding levels or formulas that will drive the new school funding system, some information is available about the goals of the new system. According to Richard Ross, Director of the Governor's Office of 21<sup>st</sup> Century Education and Barb Mattei-Smith, Assistant Policy Director for Education, the new funding system will be,

- Student-centered. Students will have multiple ways to access educational services through traditional public schools; community schools; career technical schools; Educational Service Centers; online learning; blended learning; etc. State funding for schools will "follow the child."

The new school funding system will also address the learning needs of different types of students, such as students who are gifted; have special needs; or do not speak English.

- Equitable. The relative wealth of a community will be considered when determining state revenue.

- Focused on the classroom. The new system will reward efficiency and innovations that improve student learning.

The attached chart describes *possible* policy changes for K-12 education in the FY14-15 budget; relevant League of Women Voters of Ohio positions; and *possible* LWVO responses. The purpose of this chart is to inform LWVO members about the education policy discussions that are happening throughout the state and nation, and consider the LWVO advocacy agenda regarding the FY14-15 education budget for Ohio. The LWVO Board of Directors will make the final decision about LWVO action.

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<sup>3</sup> "Budget cuts reduce teachers, courses across state: Funding for Ohio schools isn't likely to go up anytime soon" by Dan Sewell for the Associated Press, December 24, 2012 and accessed on December 26, 2012 at <http://www.dispatch.com/content/stories/local/2012/12/24/budget-cuts-reduce-teachers-courses.html>