

Not Funding the Evidence-Based Model in Ohio

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Carla Edlefson, Ph.D.  
Professor, Leadership Studies  
Ashland University  
Ashland, OH  
cedlefso@ashland.edu

## ABSTRACT

The purpose of this descriptive case study was to describe the implementation of Ohio's version of the Evidence-Based Model (OEBM) state school finance system in 2009. Data sources included state budget documents and analyses as well as interviews with local school officials. The new system was responsive to three policy objectives ordered by the Ohio Supreme Court in the *DeRolph* lawsuit: (a) a distribution formula based on student needs; (b) elimination of phantom revenue; and (c) decreased reliance on the property tax. An examination of the distributional effects assuming full funding showed that the OEBM is designed to provide adequate funding from the state, when combined with a local property tax rate of just two percent. However, the OEBM was enacted with state appropriations far below full funding, and the new formula had no effect on distribution of state funds in 2009-10. Analysis of the distribution of all state funds for schools found that property tax reimbursement to public school districts and funding for choice schools were big competitors for the education dollar. (Nine tables, one graph).

## NOT FUNDING OHIO'S EVIDENCE-BASED MODEL

On July 17, 2009, Ohio's Governor Ted Strickland signed into law Amended Substitute House Bill 1, the state's biennial appropriation legislation for fiscal years 2010 and 2011. HB 1 contained a comprehensive K-12 education reform program, including a school finance distribution program similar to the Evidence-Based Model developed by Odden and Picus (Odden, Goetz, & Picus, 2008).<sup>1</sup> The Ohio Evidence-Based Model (OEBM) in HB1 was part of a comprehensive school reform program that has earned the Education Commission of the States Frank Newman Award for State Innovation (Education Commission of the States, 2010). In addition to school funding reforms, the Ohio program set up new standards in the academic areas, more rigorous licensing requirements for education professionals, revisions to the teacher tenure law, and more stringent financial school district reporting and accounting.

The school finance provisions of HB1 met at least three policy objectives that stemmed from the court orders in the *DeRolph* (1997; 2000) school finance case. The first objective was to develop a school funding system that was based on the educational needs of students. The second objective was to eliminate the problems caused by the interaction of Ohio's school finance laws with the property tax laws, problems that have been labeled *phantom revenue*. The third policy objective was to reduce the reliance on the property tax.

### **Policy Objective 1: Funding Based on Educational Needs**

Unlike Ohio's previous funding system, which was a foundation program, the unit of funding in OEBM is the organizational unit. An organizational unit at the elementary grades level is 418 students; at the middle school level, an organizational unit is 557 students; and at the high school, 733 students. The first component of the OEBM is Instructional Services Support, i.e., teachers. The student-teacher ratio in grades 4 through 12 is 1:25. The ratio in grades K-3 is

1:19, and will be phased down to 1:15 by FY14. All districts are required to offer full-day kindergarten; only half-day was required in the past. Funding is provided for lead teachers, who will provide training and mentoring for other teachers. The model's base teacher cost in FY10 is \$56, 902, and includes mandatory contributions to the state retirement system, but not other benefits.

The other OEBM components are Additional Services Support (counselors, summer remediation, nurses); Administrative Services Support (superintendent, principals, etc.); Operations and Maintenance Support; Gifted Education and Enrichment Support; Technology Resources Support; and Additional Support, including professional development for teachers and instructional materials for students (Ohio Department of Education, n.d.a, pp. 5-9). The sum of the costs of all these components for each district is designated the *adequacy amount*.

## **Policy Objective 2: Correcting the Phantom Revenue Problems**

Since the 1970s, Ohio's property taxes have been adjusted for inflation through the *tax reduction factor* every time a jurisdiction's property values are reappraised or updated. As a result, the effective tax rate is lowered. However, the old school funding formula used the updated property values in calculating the local district's share of the foundation amount. This combination of policies caused districts to collect no increases in property tax revenues, but also caused them to lose some state subsidy as property values increased. The name for this phenomenon was *phantom revenue*, and the Ohio Supreme Court in *DeRolph v. State* (1997, 2000) ordered the state to remedy it. However, because the tax reduction factor was in the state constitution, a remedy was elusive.

Local boards of education in general do not have the authority to impose property tax rate increases without voter approval. Therefore, most Ohio school districts submit rate increases to

the voters (we call them *levy ballot issues*, or *levies*) at regular intervals, because the tax reduction factor does not permit property tax revenues to increase at the same rate as property values. The exception is those districts who levy a rate of exactly 20 mills (2 percent) of assessed valuation. The tax reduction factor does not apply in cases where it would result in an effective rate of less than 20 mills. Also, special tax levies in which voters approved a dollar amount for a specific period of time, rather than a millage amount, do not count toward the 20 mill floor. In recent years, some districts have found ways to convert some of their millage to dollar amounts so that they could reach the 20 mill floor and begin to realize increased property tax revenues on those 20 mills when property values were updated (Ohio Office of Budget and Management, 2009a, p. D30).

HB1 contains a provision for a new kind of property tax levy issue, called a conversion levy. It permits a local school board to submit to the voters a proposal to convert some of their existing millage to a dollar amount so that it would not be subject to the TRF. The conversion would enable more districts to have some millage not subject to the TRF, permitting additional growth in revenues. As a result, districts would be less likely to have to ask voters for additional millage. In the period November 2002 through November 2008, 60.5% of the districts who remained at the 20 mill floor were on the ballot for more millage, while 90% of the districts who were not at the floor had levy requests (Ohio Office of Budget and Management, 2009a, p. D34).

### **Policy Objective 3: Less Reliance on Property Tax**

A second kind of phantom revenue in the old system was caused when in 1993 the local district's contribution to the foundation program was increased from 20 mills to 23 mills of assessed valuation. The effect was equalizing, because property-wealthy districts contributed proportionately more than property-poor districts, and that freed up more state money for the

formula, benefitting lower wealth districts more. However, some districts levied less than 23 mills, and the difference between what the district was charged for its local contribution to the foundation amount and what the district collected in taxes constituted a second kind of phantom revenue. There was a state appropriation, called Gap Aid, to replace the phantom revenue in those districts. In the new OEBM the local contribution to the adequacy amount will phase down to 22 mills in FY10, 21 mills in FY11, and 20 mills in FY12. Gap Aid has been eliminated.

### **The Adequacy of the OEBM**

The theory behind the evidence-based model is, of course, that there are certain strategies that schools may employ that research or best practice has shown to be effective in improving—even doubling--student achievement (e.g., Odden et al, 2008; Odden & Archibald, 2009). Costs are calculated for each of the strategies, and the sum of those costs is the adequacy amount. However, it is unclear that Ohio's achievement problems can be traced to inadequate funding. Appendix Table A shows that in Ohio, student outcomes are correlated with characteristics of the population in the school district, such as race and poverty, not with school expenditures, property wealth, or tax effort. Table 1 shows the results of regressions with two different student outcome measures, the Performance Index Score and the Number of Report Card Standards Met, as dependent variables. The Performance Index is a way of combining a district's test results at all the various grade levels into one score (Ohio Department of Education, 2009b). The strongest predictors of student outcomes are the percent of students in poverty and median income. District expenditures per pupil are not statistically significant predictors of achievement, and local tax effort has a **negative** impact.

Table 1

*Predictors of Student Outcome Measures*

Independent Variables	Dependent Variables	
	Performance Index Score 2008-2009	Number of Report Card Standards Met 2008-09
	Standardized Coefficient	Standardized Coefficient
Percent White 2008	.266 **	.256**
Percent Student Poverty 2008	-.350**	-.404**
Total Expenditure Per Pupil 2008	.022	-.038
Median Income, Tax Year 06	.426 **	.320**
Local Tax Effort FY08	-.085**	-.068*
R <sup>2</sup>	.685	.634

\* significant at .05 level

\*\* significant at .001 level

Sources: Ohio Department of Education, 2009d; n.d.b

If fully-funded, the OEEM system would have increased school aid by more than two billion dollars in FY10 over FY09 (Ohio Office of Budget and Management, 2009b; OEEM, 2009). It would have given greater state funding increases to the most highly performing districts (Table 2). The Ohio Evidence-based Model is responsive to the Ohio Supreme Court's order to adopt a funding system that is based on students' educational needs, but the dollars do not appear to be targeted toward the districts most in need of improving achievement.

Table 2  
*Numbers of Ohio School Districts By Report Card Designations and Average Percent Increase In School Funding, Governor Strickland's Proposal (Full Funding)*

Report Card Designation	Number of districts	Average percent increase in state funding, FY10 full funding
Academic Emergency	1	13.4%
Academic Watch	9	21.0%
Continuous Improvement	79	42.7%
Effective	251	46.9%
Excellent	154	46.6%
Excellent with Distinction	116	58.7%
All Districts	610	40.9%

Sources: Ohio Office of Budget and Management, 2009b; Ohio Department of Education, n.d.b

Note: The one Academic Emergency district is Youngstown. The Academic Watch districts are Cleveland Municipal, Dayton, East Cleveland, Jefferson Township, Lorain, Mansfield, Warren City, Warrensville Heights, and Whitehall.

The Governor’s proposal contained an index that gave more weight to the calculations for low income, low wealth districts. That index was enhanced and became the *Educational Challenge Factor (ECF)* in the final legislation. Table 3 contains a sample of 14 Ohio districts, arranged in order of their ECF. The ECF was calculated for each district based on college attainment of the district residents, the personal income and property wealth per pupil, and the percent of students in poverty. The range of the ECF is .76 to 1.65. A high ECF indicates the district has a high educational challenge.

Table 3  
Ohio Evidence-Based Model, Estimated Full Funding for FY2010, Sample of Districts

ECF	Type	District	State \$ Per pupil	State \$ Per pupil FY10	Per pupil percent increase	FY09 State \$ as % of
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			FY09		09 to 10	Total Revenue
1.6349	5	Youngstown City	7533	9729	29.2%	61%
1.6007	1	Southern Perry	8207	10,247	24.9%	74%
1.5908	1	Rock Hill (Lawrence)	8063	9572	18.7%	70%
1.5616	4	Marion City	6522	8898	36.4%	65%
1.3855	4	Mt. Healthy	5432	7760	42.9%	53%
1.2661	5	Columbus City	3053	5241	71.7%	33%
1.1773	2	Indian Lake (Logan)	2789	3981	42.7%	39%
1.1687	6	London (Madison)	5076	5330	5.0%	36%
1.1389	2	West Muskingum	3271	4475	36.8%	46%
1.1349	3	Valley View (Montgomery)	4150	4894	17.9%	49%
1.0051	6	Medina City	2219	3396	53.0%	37%
1.1008	3	Liberty Benton (Hancock)	3981	4879	22.6%	51%
0.9851	7	Hilliard	2440	3369	38.1%	35%
0.8969	7	Worthington	1502	2307	53.6%	29%

Sources: OEBM, 2009; Ohio Department of Education, 2010

District type: 1 Rural/agricultural, high poverty, low median income; 2 Rural/agricultural, small enrollment, low poverty, low to moderate median income; 3 Rural/Small town, moderate to high median income; 4 Urban, low median income, high poverty; 5 Major Urban, very high poverty; 6 Urban/Suburban, high median income; 7 Urban/Suburban, very high median income, very low poverty

The entire Instructional Component, as well as the family and civic liaison, summer remediation, and enrichment fund components of OEBM, are multiplied by the ECF. Although

the wealthier districts would receive large percentage increases under the fully funded OEBM, the per pupil dollar amounts they received would be relatively small, as shown in Table 3.

At full funding the new Ohio system would provide state support for the full adequacy amount, except for the local contribution of 20 mills of property tax. The state is already funding a high percentage of the cost per pupil in the low wealth, low income districts, so their percent increase under the fully-funded OEBM would be small compared to the percentage increase received by wealthy districts, who currently receive a low percentage of their revenues from state aid.<sup>2</sup>

### **Ohio's Fiscal Situation in FY09**

In addition to the economic crisis that put most states' budgets into red ink, Ohio in 2009 was living with tax policy changes that also caused large reductions in revenues. Tax reform legislation enacted in 2005 phased down two out-dated taxes on business. The tangible personal property taxes on business equipment and inventory were phased out over four years, and the corporate franchise tax was phased out over five years. They were replaced by the commercial activities tax (CAT) on business, with a very broad base and a low rate. In addition, the personal income tax rates were to be phased down, so that at the end of five years, the tax rates would be reduced by 21% (Ohio Department of Taxation, 2009).

In 2009, the trends in the General Revenue Fund showed a huge drop, as shown in Table 4. The combination of the recession of 2008-2009 and the enacted tax cuts resulted in the "most serious erosion in revenues [Ohio] has experienced in the last 40 or 50 years" (Levin, 2009). The budget gap was \$5.2 billion, which was partially closed in HB1 with \$2.4 billion in spending cuts throughout state government and the authorization of video lottery terminals (VLTs), estimated to produce \$933 million (Levin, 2009). When the VLTs were challenged in court, a

bill was finally passed in December of 2009 to delay the last phase of the personal income tax cut and balance the budget.

Table 4  
*Actual Ohio GRF Tax Revenues for FY08 and FY09 and Estimates for FY10 and FY11, August 2009 (Billions of Dollars)*

	FY08	FY09	FY 10(est)	FY 11 (est)
Income Tax	9.1	7.6	7.1	7.1
Sales Tax	7.6	7.1	7.0	7.2
All Taxes	19.4	17.1	15.9	16.3

Source: Levin (2009)

The biennial appropriations for FY10 and FY11 are 3.8% lower than spending levels in the previous biennium; the first time there has been a decrease in modern history (Ohio Office of Budget and Management, n.d.). General Revenue Fund appropriations for higher education were down 8.9% from FY09 to FY10 (Ohio Legislative Services Commission, 2009d). Although other state programs and agencies fared worse than schools, K-12 appropriations for fiscal years 2010 and 2011 fell far short of full funding of the new school finance system. Table 5 shows that there were \$15.7 million fewer state dollars appropriated to schools in FY 2010 than in FY 2009. When federal stimulus dollars are included at just under \$400 million per year, schools received an increase of about six percent. The difference between full funding and actual funding is between \$1.9 billion and \$2.2 billion in FY 2010 and \$2.1 billion and \$2.4 billion in FY 2011, even with stimulus funds included.

Table 5

*Comparison of Full Funding and Actual Funding: Foundation Program FY 2009, Ohio Evidence-Based Model FY2010 and FY2011 (millions of dollars)*

	FY2009	FY2010	FY2011
Full Funding of Governor's Version, including recommended appropriations for Community Schools		\$ 8,835.8	\$ 9,070.0
Full Funding of House Version		\$ 9143.7	\$ 9324.7
Actual Appropriated State Funds	\$ 6,542.3	\$ 6,526.6	\$ 6,510.7
Actual Appropriated State Funds Plus Federal Stimulus Funds		\$ 6,920.6	\$ 6,904.7

Sources: OEBM, 2009; Ohio Legislative Services Commission, 2009a; 2009b; Ohio Office of Budget and Management, 2009b

Note: The differences between the Governor's estimates of full funding and the House's estimates include updated enrollment and property valuation estimates, an increase in the base salary assumption in the OEBM, and the change to the ECF index applied to the components of the OEBM.

### **Priorities and Compromises**

HB1 put into law, but did not fund, provisions that met the three policy objectives -- distributing funds according to a formula based on student needs, eliminating phantom revenue,

and lessening reliance on the property tax. (The conversion levy provision aimed at eliminating phantom revenue does not require direct state funding.) The actual appropriations for FY10 reflect both the political need to ensure that no school district receives a large cut in state aid and the compromises made with school choice proponents.

Table 6 shows that slightly less (\$10.6 million) was appropriated through the new OEBM formula for FY10 than flowed through the foundation formula in FY09. This was true despite the fact that enrollment increased by 73,000 plus students, because kindergarten students are now counted as full-time instead of half-day. House Bill 1 contained a Transition Aid provision, so that no district would receive more than a one percent cut in its total state dollars in FY10, and no more than a two percent cut of its FY10 state dollars in FY11. A Gain Cap limits the increased state dollars a district can receive to 0.75% of FY09 aid in FY10 and 0.75% of FY10 aid in FY11.

The new formula is having little effect on the distribution of funds. The Transition Aid for FY10 increased by more than half a billion dollars (133%) because a great majority of the districts are now on hold-harmless guarantees. Transitional aid took up almost all the increase in the entire school subsidy budget between FY 09 and FY 10. The local districts' contribution to the OEBM program decreased from 23 mills to 22 mills in FY10, costing the state \$195.7 million, with more benefit going to districts with high property valuations. School choice programs did increase by \$6.8 million (less than 1%) between FY09 and FY10.

Table 6  
*State Totals, FY 09 Actual, and FY 10, HB1 as Enacted (Dollar Amounts in Millions)*

	FY 09	FY 10	Change FY 10-FY 09
Formula Student Count (ADM)	1, 679,356	1,752,379	73,023*
Local Contribution "Charge-Off"	\$ 5,783.5	\$ 5,587.8	- \$ 195.7
Total State Formula Aid	\$ 6,543.9	\$ 6,533.3	- \$ 10.6
Transitional Aid (Hold Harmless Guarantee)	\$ 393.0	\$ 917.3	\$ 524.3
Formula + Transition	\$ 6,936.9	\$ 7,450.6	\$ 513.7
<b>Choice Programs</b>			
Open Enrollment Transfers	\$ 4.8	\$ 7.1	\$ 2.3
Community (Charter) School Transfers	\$ 645.1	\$ 629.8	-\$ 15.3
STEM school transfers	0	\$ 0.5	\$ 0.5
Choice Scholarships (Vouchers) Transfers	\$ 56.8	\$ 76.1	\$ 19.3
All Choice Programs	\$ 706.7	\$ 713.5	\$ 6.8
Formula + Transition - Choice	\$6,230.2	\$ 6,737.1	\$506.9

\* Increase in students caused by counting kindergarten students as 1.0 instead of 0.5, as in past.

SOURCES: Ohio Department of Education, 2009a; 2009c.

Choice programs listed in Table 6 are funded by subtracting money from the choice student's home district's state aid including Transition Aid. Governor Strickland had proposed funding school choice separately, but the General Assembly returned to the previous system of funds following the students from their school district of residence to their choice school.

The data in Table 7 illustrate that less than 60% of state funds for schools are distributed through the OEBS formula. Business personal property tax replacement has been in the state budget since FY06, when the phase-out of the tax began. Utility personal property tax replacement payments to schools began in FY02 (Legislative Services Commission, 2009c, pp. 50-51).

Rollback and homestead replacement dates back to 1971, when property tax relief was included in the legislation that created the first state income tax. HB1 specifically states that funds in the rollback and homestead exemption line item may not be moved to other line items during the budget year. If the appropriated amounts for rollback, homestead, and personal property tax replacement are insufficient, funds from other line items may be used to supplement them. Table 7 illustrates competing priorities for school funding dollars.

Table 7  
*Actual State Appropriations for Ohio Schools FY2010*

State Funding for Schools	Millions of Dollars	Percent of Total
OEBM Components	\$ 5,184.6*	58.1 %
Other Funded Programs	521.0	5.8 %
Transition Aid (Hold Harmless)	917.3	10.3 %
Deductions for Ed Service Centers and Other	-299.5	
School Choice	-713.5	
Personal Property and Utility Tax Replacement	1,241.3	13.9 %
Rollback & Homestead Replacement	1,053.3	11.8 %
<b>TOTAL</b>	<b>\$ 8,917.5</b>	<b>99.9 %</b>

Sources: Ohio Department of Education, 2009c; Ohio Legislative Services Commission, 2009c

\* \$195.7 million of this amount funds the decrease in the charge-off from 23 to 22 mills, and thus could be interpreted as property tax relief.

### **Accountability Provisions of HB1**

Odden and his colleagues noted that if schools are left to their own decisions, they are unlikely to spend the money in the way it was generated in the formula. Odden et al. advocate that states require school districts to spend their funds on those same categories contained in the Evidence-Based Model:

But as states do move forward on the school finance adequacy terrain, they also need to design an implementation strategy that will maximize the chance that local districts and



schools will use the funds—old and new—in the most effective ways to boost student learning. (Odden & Archibald, 2009, p. 146).

Despite the lack of new dollars, the legislation passed in Ohio requires that schools *report* their spending of state aid dollars according to the components of the OEBM, beginning July 1, 2010. Administrative rules are currently being written to implement that requirement. The law also requires that by July 1, 2011, districts *spend* their state aid money on the OEBM components. The law calls for the State Superintendent to adopt rules classifying the OEBM strategies into three categories: Core Academic Strategies, Academic Improvement, and Other Funded Components. The process for developing the categories is currently underway.

However, the rules for reporting and spending will apply differently to districts according to their status on Ohio's Report Card Accountability system. Districts that are Excellent will not be subject to the spending rules, but will be subject to the reporting rules, except not the reporting rules for the Core Strategies category. The rules for spending and reporting for the Academic Improvement category will apply only to districts that have been in Academic Emergency or Academic Watch for two or more consecutive years. The Other components will have reporting standards, but not spending standards, that will apply to all districts.

### **Political and Economic Conditions in 2010**

According to statistics reported in the *Columbus Dispatch*, over the last decade Ohio has lost more than half a million jobs. Only Michigan has lost more. From December 2006 to December 2009, Ohio's unemployment rate increased 5.4 points, to 10.9%. The population increase from July 1, 2006 to July 1, 2009 was just 0.4%, ranking the state 46<sup>th</sup> in the nation. Ohio's population of 15 to 44-year-olds dropped 1.9 percent between July 1, 2006 and July 1,

2009, compared to a 0.4% drop nationally. In 2008, Ohio's child poverty rate was 18.5 percent, compared to 18.2 percent nationally (Niquette, 2009).

Nearly 42 percent of kindergarten through 12<sup>th</sup> grade students receive free or reduced-price lunch in Ohio, up from 35 percent two years ago and 30 percent five years ago. Some of the increase has been attributed to a simpler application process, but Ohio Department of Education officials believe that the economy is the main reason for the increase (Candisky, 2010).

At the end of December 2009, FY 2010 revenues for the first half of the fiscal year were very close to projections (Ohio Office of Budget and Management, 2010). However, because of slow economic recovery in Ohio and the use of one-time money in the present state budget, the biennial budget for fiscal years 2012 and 2013 is projected to have shortfalls of four to nine billion dollars. State revenues are not predicted to grow until at least 2011. In addition, Ohio is projected to owe \$3 billion to the federal unemployment trust fund by December 31, 2010 (Candisky 2010b).

Governor Strickland faces re-election in November 2010. His opponent will be John Kasich, former state legislator, former Congressman, former managing director of the Columbus investment banking division of Lehman Brothers, and Fox News Commentator. Kasich has been on the right wing of the Republican Party, and has advocated complete phase out of Ohio's personal income tax, which currently funds about 40% of the state's general revenue fund.

If Republicans win the governor's race and regain control of the Ohio House, it is possible that the OEBM legislation would be repealed before it could have a chance of being funded. Republicans in Ohio have been pro school choice, with the dollars following the

students from their district of residence to their choice schools. Kasich favors reducing state government to balance the budget.

## **Conclusion**

Three major policy objectives for Ohio's new school funding system were to (a) develop a school funding system that was based on the educational needs of students; (b) eliminate *phantom revenue*; and (c) reduce the reliance on the property tax. These were all policy objectives that were ordered by the Ohio Supreme Court in the *DeRolph* litigation. Legislation is now in place to move the state toward the accomplishment of all three of these goals. However, reduction in state revenues due to economic conditions and tax policy changes has at best delayed accomplishment of the objectives. Although Governor Strickland insists full funding of the OEBM will be phased in over the next ten years, he will be governor for only four more years even if he wins re-election.

Competing policy objectives to (a) hold school districts harmless for local reductions in revenues caused by tax policy changes and (b) fund school choice claim priority for any state funds that are available. The provision of HB1 that is most directly aimed at eliminating phantom revenue depends on local districts being able to convince their voters to convert some millage to another kind of millage. This will be difficult to do in a school finance system that is already difficult to explain to voters. Also, districts will need to convince voters to pass new millage, since there are no increases in state funds, and in the near future, the new millage may be a higher priority than converting existing millage. The third objective—to reduce reliance on the local property tax—was addressed by the reduction in the local contribution to the OEBM program from 23 mills to eventually 20 mills. However, until the OEBM is fully funded, it may

be that many local districts will need to ask voters to approve *increases* in their property tax to gain revenue outside the OEEM program.

The accountability measures in HB1, which direct state dollars into the educational strategies represented in the Evidence-Based Model, may be the most effective part of the legislation, as far as improving student outcomes. A local school CFO pointed out that in a low achieving district where there have been no employee raises, or very modest raises for several years, any new state money would likely go into salary increases, unless there were state restrictions on spending. However, at this time, it is unclear what, if any, sanctions the state will employ to enforce the spending requirements and direct the funds into strategies that would improve student outcomes.

In the short term there is a great deal of uncertainty about implementation of the new system. It is impossible for CFOs to project revenues, particularly because no one knows if there will be additional federal stimulus dollars beyond FY11. However, I talked to several leaders in the Ohio Association of School Business Officials (OASBO) who believe that the OEEM is an improvement over the old foundation program. Granted, they point to aspects of the OEEM that need modification; for example, including fringe benefits in the cost of a teacher, lowering class sizes for special needs students, revising the Educational Challenge Factor, and taking into account the need for additional space to accommodate smaller class sizes in the primary grades. These issues will be taken up by a new School Funding Advisory Council created in HB1. One school CFO said, "I'd rather have a correct school finance system and work to phase it in, than to have an incorrect system." David Varda, Executive Director of OASBO said "The OEEM is good conceptually. Our message is stay the course." These leaders believe that the OEEM sets

Ohio on the path toward a constitutional school finance system, according to the *DeRolph* court opinions.

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Appendix Table A  
*Pearson Correlations between District Characteristics And Student Outcomes In Ohio*

District Characteristic	Student Outcome Measures		
	Number of Standards Met 2008-09	Graduation Rate 2007-08	Performance Index Score 2008-09
Percent White 2008	.526	.372	.485
Percent Poverty 2008	-.728	-.499	-.722
Median Income 2006	.577	.408	.672
Total Expenditure Per Pupil FY08	-.212	-.134	-.121
Assessed Valuation Per Pupil FY09	.326	.204	.397
Current Millage FY09	.063	.012	.096
Class 1 Millage FY09	.016	.012	.096
Local Tax Effort FY08	-.191	-.097	-.241

Sources: Ohio Department of Education, 2009d; n.d.b; calculations by author

Note: The Performance Index is a way of combining a district's test results at all the various grade levels into one score (Ohio Department of Education, 2009b).

Appendix Table B  
*Facts about Ohio School Districts*

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	Minimum	Maximum	Average
School Enrollment (ADM) per district FY08	195	63,497	Median = 1,788 State Total = 1.8 million
Expenditure per pupil FY08	\$ 6,920	\$ 20, 477	Mean = \$ 9,304
Assessed Valuation per pupil 2008	\$42.335	\$667,971	Median = \$118,086
Property Tax Rate on Farms and Homes, FY09	18 mills	67 mills	Mean = 27.35 mills

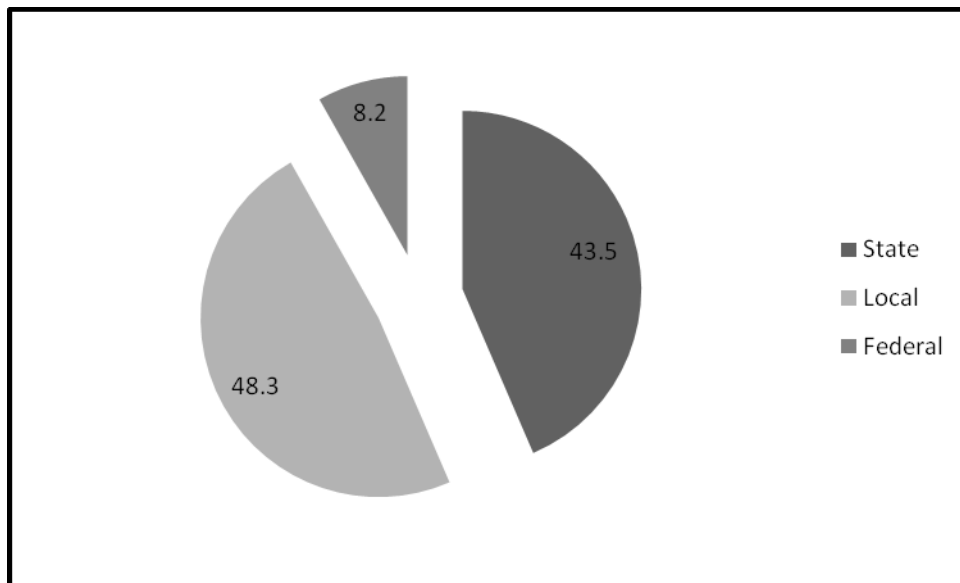
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Source: Ohio Department of Education, 2009d

Note: There are 614 local school districts in Ohio, some of which have no students. The N for this table is 609.

Appendix Chart A  
*Percent of Ohio School Spending from Federal, State, and Local Sources*

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Source: Ohio Legislative Services Commission, 2009a

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## End Notes

<sup>1</sup> The Ohio Evidence-Based Model (OEBM) was not the work of Odden and Picus, but was developed by state government staff, using Odden and Picus' principles (Odden, Goetz, & Picus, 2008). Picus and Odden were later asked to evaluate the Ohio EBM, and their evaluation was generally favorable (Picus & Odden, 2009).

<sup>2</sup> Per pupil dollar amounts are shown for analytic purposes, but organizational units, not students, are the basis of funding in the Ohio Evidence-Based Model.