

After the Budget, What Next? Ohio's Education Policy Priorities

An analysis of House Bill 153 (the biennial budget) and other education legislation from the first half of 2011, and what still needs to happen

The debates surrounding Ohio's biennial budget and other education-related legislation during the first half of 2011 were intense, and it's no wonder. The state headed into the year facing a historic deficit, federal stimulus money was vanishing, and school districts were preparing for draconian cuts. Meanwhile, despite decades of reform efforts and increases in school funding, Ohio's academic performance has remained largely stagnant, with barely one-third of the state's students scoring proficient or better in either math or reading on the National Assessment of Educational Progress. Achievement gaps continued to yawn between black and white students and between disadvantaged youngsters and their better-off peers.

After the November 2010 election, we reflected on the massive challenges facing then Governor-elect Kasich and incoming leaders of the Ohio House and Senate, and offered [recommendations](#) to move Ohio forward in education while also achieving cost savings. We argued that, despite the monumental fiscal challenges facing the state:

...opportunity is also at hand—the opportunity to build upon yesterday's better policy decisions, to rectify poor ones, and to make lemonade out of sour circumstance. Ohio's education system could be transformed into an effective, efficient engine of individual opportunity, academic achievement, and economic growth, even as the money flowing into it diminishes. This can only happen, however, if the state's new leadership team is prepared to defy special interests, to alter entrenched but dysfunctional practices, to end low-payoff activities and invest in those that matter, to make sweeping changes in both education funding and "HR," and to stick to its guns in the face of what will surely be intense opposition.

Revised considerably by the General Assembly, Governor Kasich's budget plan (House Bill 153), a 5,000-page document that both funded the Buckeye State through fiscal year 2013 and included dozens of education-policy changes, was signed into law on June 30. The Ohio House and Senate were also engaged during the spring in passing other legislation that impacts schools.¹

It's time to take stock. To what extent have Ohio's leaders met the challenges and opportunities before them in K-12 education? What needs to happen next?

After the Budget: What Ohio has accomplished

Ohio has made tremendous strides in education reform over the past half year. Yet even regarding these accomplishments, the work is not done. Virtually all of the state's recent education policy changes come

¹ This paper does not reflect the changes made by Senate Bill 5, a collective-bargaining reform bill that is up for referendum in November. At the end, however, is a note about the impact that SB 5, if sustained, will have on K-12 education.

with implementation challenges and sustainability concerns. The list below offers praise for the positive changes Ohio has made and caution and guidance as to their implementation.

Adopting and implementing the Common Core. A year ago, in connection with its (successful) Race to the Top application, Ohio joined 44 states plus DC in adopting the Common Core academic standards in English language arts and mathematics. Funds to roll out these new standards were included in HB 153. Ohio's commitment to the Common Core is a strong signal of the state's intent to boost the academic rigor of our schools and the achievement of our students, but there are also reasons for concern. Given that many current lawmakers and state board of education members are not yet familiar with the Common Core and that there is widening concern in many quarters about the federal government's role in K-12 education, Ohio's commitment to the new standards could be weakened by the mistaken belief that the Common Core is a mandate from Washington rather than—what it really is—a voluntary collaboration among states.

Further, as the new standards and assessments aligned to them start to come on-line in 2014, some districts and schools that have been rated highly effective under the current state accountability system may find themselves with lower performance ratings. This nearly always occurs at first when states strengthen their academic standards and assessments (which Ohio has not previously done). Ohio will need to prepare both for that short-term disappointment and for successful implementation (across many fronts) of new standards that will in time translate into higher student achievement.

More immediately, Ohio has to make an important determination about which of two assessment consortiums the state will join. Currently, Ohio is participating in both the "Smarter Balanced" Assessment consortium and the "Partnership for the Assessment of Readiness for College and Career" (PARCC) consortium. We at Fordham favor the latter approach to assessment but, whichever way Ohio goes, much work needs to be done to help teachers, principals, and district leaders understand and embrace the new standards and assessments. (Though the state is not required to choose one until 2013, the sooner it does so, the more time state and local educators will have to prepare for implementation.) Moving toward new assessments will demand significant professional development and training in the new standards and associated curriculum and the Ohio Department of Education (ODE) must have—or acquire—the capacity to do this well.

Holding low-performing schools accountable. The state's new budget requires all public schools in Ohio to be ranked, and district schools falling into the bottom five percent for three consecutive years (and rated D or F overall by the state) will be subject to reconstitution. Columbus City Schools will serve as a pilot district for the state's first "parent-triggered" turnaround program. The state's four turnaround options are stricter than the federal School Improvement Grant (SIG) guidelines—a good thing. But there is some ambiguity around schools that both received SIG money *and* are slated for turnaround under the new state law. SIG allows for soft "transformation" that essentially leaves the majority of a school's staff and programs in place, while Ohio's new turnaround law does not. Clarification will be needed here from the state board of education and ODE, which will oversee the school turnaround efforts.

Holding drop-out recovery schools accountable. The state board of education is slated to develop performance standards for holding "drop-out recovery" schools accountable by July 2012. Those schools are presently exempt from sanctions for woeful performance, despite the fact that, as a group, they consistently rank among the lowest-performing schools in the state. The state has struggled for more than a decade, to no avail, with how to fairly and effectively measure student performance in these schools. Other states, including Colorado, Texas, and California, have come up with ways to gauge the effectiveness of schools that serve some of the state's neediest young people, and it's time for Ohio to do the same.

Holding educators accountable. HB 153 requires all school districts to adopt new evaluation systems that distinguish teachers according to four tiers of effectiveness – accomplished, proficient, developing, and ineffective – by July 2013. The budget leaves many decisions to local districts, however, meaning that the quality of their *implementation* efforts will determine how far the needle on teacher effectiveness actually moves. The budget made some statewide changes to teacher personnel policies, particularly barring the use of seniority as the primary variable upon which a layoff decision is made. But in other key policy areas, such as whether/how to tie evaluation ratings to teacher dismissal, tenure, transfer, and compensation, districts will decide.

Success in this realm, perhaps more than in any other, will depend significantly on leadership and guidance from the state education department. The Ohio Department of Education must provide coaching, support, and other resources to aid district implementation or find and support partners (e.g., county education service centers, universities, etc.) that can do this important work. Smaller and poorer districts will especially need such help, as will charter schools. It is also likely that as implementation challenges around teacher assessments and performance become more obvious, additional legislation will need to be crafted that strengthens Ohio's ability to measure, report on, and support teacher performance and effectiveness.

The budget also requires that teachers of core subjects who work in buildings that rank among the bottom 10 percent of schools statewide be tested on their subject-matter knowledge (not more than once every three years – *if* they pass). The impulse behind this is sound, but the state might be wiser and fairer to measure such knowledge in individual teachers who get low ratings on the new evaluation system rather than by school rating. Else this requirement may dis-incentivize teachers from teaching at the neediest schools.

Initial versions of the budget would have required, but the final version deleted, an excellent provision whereby ineffective teachers may not be forced upon any school without the principal's consent. Shuffling ineffective teachers from school to school rather than giving principals the freedom to determine their own staff needs is a poor practice that should be ended. Legislation to replace forced transfer with mutual consent hiring – specifically for teachers rated ineffective – should be revived.

Holding educator preparation programs accountable. The Chancellor of the Board of Regents will collect and publish data that tracks student growth back to their teachers' preparation programs (using the state's value-added metric for reading and math in grades 4-8). As the Regents collect these data, the state should move towards performance-based funding of education schools and incentivized programs that maximize teacher effectiveness.

Holding charter-school authorizers accountable. Lawmakers strengthened accountability for charter-school authorizers and rightly rejected egregious proposals that would have severely undermined the accountability and quality of both authorizers and charter schools in the state. Henceforth, authorizers (aka sponsors) that rank in the bottom 20 percent statewide based on their schools' achievement will not be permitted to open new schools. In turn, the budget upped the number of schools that a responsible sponsor can authorize (100), and eliminated the provision that closing a school eliminates a "slot" for a new school.

The budget also reinstates the Ohio Department of Education as a charter authorizer, a duty that agency failed at a decade ago. Many questions and risks remain today about ODE's capacity to do this well. These include an understaffed and underfunded charter-school office, myriad conflicts of interest (the department now will sponsor schools itself, oversee the state's other sponsors, provide technical assistance of numerous sorts, and channel funds to all schools). The department is also going to face enormous pressure to sponsor

charter schools quickly and with minimal vetting of applicants. However, a rigorous screening process, combined with strong leadership from the State Board and new state superintendent and the flexibility and funding to engage the right team to do this work, can help mitigate these risks. There is no inherent reason why ODE can't be an effective sponsor if it has the resources and political support to do the job well.

Recognizing efficient and effective schools. Schools across the state will be ranked according to academic achievement and fiscal performance, with high performers recognized as part of the Governor's Effective and Efficient Schools Program. Schools will also be ranked according to the proportion spent on classroom expenditures – a rough approximation of “return on investment.”

Creating innovation schools and zones. Schools wishing to operate outside of traditional regulations and rules (imposed by the state, collective bargaining agreements, etc.) can now apply for status as innovation schools or zones in an effort to spur innovation, collaboration, and/or economy of scale so as to improve student achievement in ways that might not otherwise be possible in traditional and more regulated settings.

Moving away from the evidence-based model of school funding. Lawmakers scrapped the evidence-based school funding model early in the year via House Bill 30. That ill-considered approach to school funding was unaffordable, and prescriptive to a fault. It was critically flawed on multiple dimensions, beginning with the fact that it was not based upon evidence but on subjective readings of anecdotal studies. A temporary “bridge” funding formula has taken its place for this biennium.

Tracking spending on classroom expenditures. Schools in Ohio have long been rated for academic performance. Fiscal performance will now be considered and reported along with academic results. The metric, still to be fine-tuned by ODE, is to be the proportion of operating dollars spent on classroom expenditures. Theoretically, this will force districts to confront their spending priorities and provide answers to taxpayers at levy time. Careful attention should be paid to this effort and the metrics devised for it. What will constitute classroom expenditures? For example, would the purchase of a digital course platform for the school count as classroom or overhead? And how will the state ensure that the data generated is shared in a way that is easy to obtain and understand for all stakeholders? Further, Ohio needs to be careful about not encouraging a one-size fits all approach to school operations akin to the “65% solution” to school funding that mandates a certain percentage of school funds being spent at the classroom level no matter the unique needs of a particular district or school.

Expanding private school choice. HB 153 expands the list of public schools in which students are eligible for EdChoice Scholarships and raises the number of vouchers available, from 14,000 to 30,000 this year, and 60,000 in subsequent years. The budget bill also creates a new special-needs scholarship program. These are substantial gains for Ohio's needy children and for school choice supporters.

Expanding public charter schools. The budget bill lifts the moratorium on new e-schools and expands the number of districts in which start-up charters schools may open. It also allows for establishment of a charter-style boarding school for exceptionally disadvantaged youngsters.

Expanding digital learning options. HB 153 provides for a Digital Learning Taskforce to develop a strategy for expanding digital learning opportunities to all students and clarifies the guidelines of the state's existing Distance Learning Clearinghouse. All Ohio students are to have access to course-level distance-learning opportunities at all points throughout their educational career and districts must accept credit for such courses.

Improving the charter-school climate. The budget provides charter schools with better access to unused district facilities and grants board members of authorizers the same legal protections afforded local school board members under state law. It also removes the outdated requirement that charter school sponsors have a representative located within 50 miles of each authorized school.

Opening the doors to Teach For America. In April, Governor Kasich signed legislation that allows Teach For America to operate in Ohio and makes it easier for TFA alumni to attain permanent licensure in the Buckeye State. The law also expands alternative licensure to grades K-12 (from 4-12), therefore making it easier for other high-performing alternative models (like The New Teacher Project) to come to the state.

What Next? Key policy priorities still to be tackled

Several essential K-12 education reforms still need to be addressed in Ohio if the state is to continue moving toward stronger accountability, fairer funding, more effective teachers, and better student achievement.

Holding all publicly-funded schools accountable for results. Ohio has created a dynamic marketplace of school options and this is sure to accelerate as more school districts launch innovative STEM schools, hybrid models of learning, and various forms of magnet schools geared toward different student needs. Further, more parents are sure to avail themselves of charter options, on-line schools, and voucher programs. For this lively marketplace of school choices to provide maximum benefit to Ohio's students and taxpayers, however, *all* schools that receive public dollars need to operate within a common accountability framework, including having their academic performance reported publicly and sanctions (and rewards) tied to that performance. When children's education is paid for with public dollars, no matter what sort of school those children attend, the public has the right, even the obligation, to know how well they are acquiring the skills and knowledge that they need to succeed in further education and life—and what is the return on investment of tax dollars.

Without accountability, there is little motive or incentive to change. Accountability exposes poor performers and charlatans, but it also highlights successful schools and operators. It limits market risk by ensuring that schools work for children.

Ohio should also pay careful attention to its ranking system of schools and determine whether that system correctly identifies those schools in need of overhaul. The budget installed a rolling standard – all schools in the bottom 5 percent, regardless of absolute performance – will be subject to turnaround. Yet schools above that threshold may still be abysmal. The state may wish to revisit the concept of a fixed standard so that all schools, regardless of relative rankings, are held to a reasonable standard. Further, district schools and charter schools currently face two different accountability systems. The former face a rolling threshold, the latter an absolute threshold – and the achievement data on which these rankings are based are not the same, either.

A further challenge: Educational Service Centers are now permitted to sell services, such as payroll administration, to local governments. These regional entities also continue to provide services to local schools, to serve as charter authorizers, and to sell services to charter schools (even those they oversee). Some attention should be paid to how to hold them to account for the quality of their services and to prevent conflicts of interest or monopolistic behavior.

Creating a system of school funding that better meets the needs of children and rewards performance. As noted above, H.B. 153 settled for a two-year “bridge” funding formula for schools, by the conclusion of which the Governor has said he intends to enact a new school-funding plan. He has outlined that plan in broad terms as one in which money will follow students. This is a promising start. Ohio’s next generation school funding system should be based on three key principles²:

- Full state funding (and local funding, too, to the extent that the state can leverage it) follows the child to the school that he or she attends, including charter schools and private schools participating in the state’s voucher programs.
- Per-pupil amounts vary with children’s individual needs and circumstances. For example, disabled, highly mobile, gifted, and disadvantaged youngsters have additional dollars in their “backpacks.”
- Resources arrive at the school as real dollars that can be spent flexibly—these decisions belong at the building level—with an emphasis on results, rather than on predetermined programs, rigid staffing ratios (or numbers of positions), and immutable activities.

Encouraging consolidation and shared services. While Governor Kasich has made clear that he favors efforts to consolidate staff and services between districts (but not necessarily merge districts themselves), the state budget offered no financial incentives for districts to do so. It does, however, require the development, by July 2012, by the Governor’s Director of the Office of 21st Century Education, of a plan to integrate and consolidate Ohio’s labyrinth of regional education support services (e.g., information technology centers, area media centers, regional service system, education technology centers).

As districts face tighter budgets, state policy should encourage and in some cases probably require districts to consolidate support and back-office services (including treasurers, special education directors, etc.). Roughly half (49 percent) of Ohio’s districts serve 1,700 or fewer students. Keeping the separate identity of these small districts is often important to the identity of small communities themselves, but a district’s HR department, food services, bus maintenance, or janitorial staff is not what makes it unique. Consolidating those functions can make a major difference in the short- and long-term financial viability of a smaller district (and might be able to improve larger ones as well). Small districts could also share superintendents and other central administrators without losing their identities, as well as treasurers and specialized instructors in areas such as special education, AP calculus, and foreign languages.

If the money can be found, the state should offer a limited number of grants that encourage and support consolidations and mergers of such services across districts. The state’s educational service centers can also play an important role in this effort by working across multiple districts to help consolidate services and providing some of these services directly to districts themselves.

Supporting alternative management structures. State and district leaders should consider alternative management structures for schools so that successful principals can lead a second or third school, or even a “mini-district.” Such added responsibilities would be matched with added compensation, as well as a new form of career mobility that many top-flight school leaders may seek. With enrollments declining in many cities, enabling expert principals to work across multiple schools makes good fiscal sense and maximizes existing leadership talent. It is also key to effectively turning around underperforming schools, as human capital is the linchpin for doing so.

² Fordham engaged state and national experts to outline how a weighted funding system could work in Ohio in our 2008 report, *Fund the Child: Bringing Equity, Autonomy, and Portability to Ohio School Funding*.

Allowing “hybrid” models of schools. While Ohio has tackled funding and accountability for both bricks-and-mortar and virtual schools, the state has not yet addressed how to fund and measure the success of “hybrid” or “blended” schooling models. Ohio needs legislation that explicitly allows these types of schools and that ensures accountability for them while not being overly prescriptive about inputs. Doing the latter would prevent innovative models from operating in Ohio.

Reforming and right-sizing public pensions. Attracting able people into teaching also means changing a teacher compensation-and-benefits system that today is backloaded to confer the greatest benefit upon the most senior teachers (and retirees) while ill-serving, even exploiting, young instructors. Today’s salary structure is weak on cash pay, especially in the early years of teaching, but exceptionally heavy on pensions and health benefits for retirees. New teachers are paid poorly in comparison to their peers entering other fields but are promised a generous pension if they stick it out for 25-30 years. Yet a quarter of them leave the classroom within five years and thus do not benefit at all from the state’s retirement system. This may be good for the retirement system but is plainly not good for the recruitment of able new teachers. At least for its future hires, the state needs to move away from old-fashioned defined-benefit pension systems toward what the best private-sector firms (and an increasing number of public entities) provide: individual, portable, defined-contribution retirement plans and/or cash-balance plans. Aside from these reasons for reforming teacher pensions, changes are necessary because the current system and its benefits are simply unsustainable – the State Teacher Retirement System of Ohio had an unfunded pension liability of \$38.8 billion as of June 30, 2010.

Conclusion

Ohio has pursued a number of laudable education reforms in recent years, and there is no doubt that the budget language signed into law by Governor Kasich (along with several other key pieces of legislation passed so far this year) moves the state closer toward a performance-based system of education that supports school choice, rewards success, highlights problems, and punishes failure. But much more remains to be done. Ohio needs to move toward a consistent system of accountability for all schools. It needs to direct state funding based on the needs of children rather than the type of school receiving the funding. And it needs to encourage and facilitate innovations that lead to greater efficiencies and quality.

Enacting these reforms – along with implementing, monitoring, and evaluating just-passed policy changes – will require significant leadership and sustained focus from lawmakers, the state department of education, board members, district leaders, educators, and others. The pendulum is swinging in the right direction, with momentum from the last several months inspiring hope that Ohio will continue making progress for the betterment of its students.

Note on Senate Bill 5: *Senate Bill 5, a controversial measure to reform public sector collective bargaining in Ohio, was signed by Governor Kasich on March 31. Its implementation is on hold, however, awaiting the outcome of a November referendum. Many provisions in the bill are partially duplicative of reforms enacted by the budget (e.g. getting rid of seniority as the prime determiner of teacher layoffs) but there are several other areas in which new reforms will go into place if SB 5 is upheld by the voters. These include:*

- *Replacing step-and-lane salary schedules for educators (and other public employees) with merit-based systems.*
- *Eliminating public employees’ right to strike.*
- *Removing health care benefits, as well as issues like class size, from the list of what can be collectively bargained.*

- *Requiring all public-school employees to contribute at least 15 percent of the premiums for their health-insurance plan.*
- *In effect abolishing tenure (continuing contracts) for new teachers.*