The Buckeye Institute

Public Policy Brief

The Case for Community Schools in Ohio

By: Matthew Carr and Samuel R. Staley
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Executive Summary

The debate over Ohio's community, or "charter", school experiment has reached new levels of contentious and debate. The Ohio General Assembly is actively considering a permanent cap on the total number of community schools as a result.

An analysis of community school funding and state expenditures, however, suggests that many of the arguments used by their opponents are flawed or incorrect. An examination of the data and experience with Ohio's community school program reveals:

Traditional public schools *benefit* financially when their students enroll in community schools. Community school students cannot take local property and income tax dollars with them. As a result, seven of the big eight districts actually see their per-pupil revenues rise as community school enrollment increases.

Dayton public schools "lost" 15.5% of their students to community schools but per pupil revenues increase from $11,087 to $12,002.

Community schools are less expensive to operate. State funding to community schools in Ohio averaged $5,800 per pupil in 2002 while the average per pupil *operating* expenditures for Ohio's traditional public schools was about $8,200.

Community schools are providing parents and students with alternatives to their failing traditional schools for $2,400 less per-pupil in operating expenses alone.

Community schools are accountable. Unlike traditional public schools, community schools must meet the goals, objectives and expectations established in their "charter" and can be closed. Moreover, their "customers" can close them by changing schools. Community school enrollment continues to grow rather than shrink.

Parents prefer community schools. A survey by the Ohio Legislative Office of Education Oversight revealed that 51% of parents with children in a community school were "very satisfied" with their child's education compared to just 25% of traditional public school parents.

Community schools are not necessarily the "silver bullet" that will address every concern about lagging public school quality, but they are an important and popular alternative that should be encouraged. They have the added advantage of providing a cost effective alternative to traditional public schools.

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The Case For Community Schools in Ohio
By Matthew Carr and Samuel R. Staley

One of the most notable innovations in education policy during the last decade has been the creation of community schools. Currently, more than 243 of these independent public schools operate in Ohio's biggest urban areas. In Dayton, charter schools represent almost 26 percent of the city's enrollment in public schools.[1] While advocates suggest that these schools are valuable contributors to education in Ohio, critics charge that they deprive city school districts of necessary funds.

These arguments appear to be gaining traction among legislators in the General Assembly. In their 2006-2007 biennial budget proposal, as it now stands, legislators would slow the growth in charter school enrollment and effectively stop the growth of charter school creation by continuing to cap the number of schools, at 250. Exacerbating this already contentious debate is the fact that the state's school funding system has been ruled unconstitutional four times between 1997 and 2003 because it lacked "equity" and "adequacy". These decisions have served to increase the stakes surrounding school funding policy. Teachers' unions and other anti-choice advocates have seized on these rulings to oppose community schools on the grounds that they siphon already scarce resources from already inadequately funded schools.

Unfortunately, much of the rhetoric currently driving such arguments is based on disingenuous assumptions about the financial impact of community schools on their traditional school counterparts. Given the high profile of the debate over education finance, it is important to understand how Ohio taxpayers fund public schools in general and community schools in particular. A careful investigation of the facts shows that community schools are not a drain on public education funds. In fact, education in Ohio benefits in many ways from the continued existence and expansion of the community schools

An Urban Phenomenon
While community schools are relatively new, they are based on longstanding principles of constitutional government. The Ohio constitution of 1851 mandates that the "General Assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state."[2]

Historically, public schooling has been provided through school districts controlled by local school boards. On average, state government has provided less than 50% of total district funding, leaving the majority of the revenue burden on local districts (which in turn have relied heavily on local property and income taxes). This pattern of local school board control changed in 1997, when the General Assembly created a community schools

[1] Dillon, Sam, "Charter Schools Alter Map of Public Education in Dayton," , New York Times, March 27, 2005
[2] Ohio Constitution, Article 6.02

pilot program, which allowed organizations other than local boards, such as universities or publicly funded "education resource centers," to create public schools. These schools are more commonly known as "charter schools" in the education vernacular because they must obtain a charter, a written authorization, before they can open.[3] In Ohio the term 'charter schools' can be confusing because all schools, public and private, must obtain a written charter in order to operate and receive funds from the state. Ohio refers to the creation of quasi-independent public schools as 'community schools' in order to avoid any confusion with chartered private schools.

The pilot community school program was first confined to Lucas County. Within two months it was expanded[4] to include the big eight urban school districts of Cleveland, Cincinnati, Columbus, Akron, Canton, Youngstown, Toledo, and Dayton. The expansion also allowed for the conversion of any public school, whether in or outside the Big Eight, to a charter school. Of additional importance, the expanded program authorized local school districts and the Ohio Department of Education to grant charters.[5]

Public Schools By Another Name

Community schools are by law public schools and therefore part of the public education system. "A community school created under this chapter is a public school, independent of any school district, and is part of the state's program of education," says the Ohio Revised Code. In addition, a "community school may sue and be sued, acquire facilities as needed, contract for any services necessary for the operation of the school, and enter into contracts with a sponsor pursuant to this chapter."[6] All community schools must be established as a non-profit corporation.[7]

While community schools are exempt from certain state requirements, they are bound to the most basic regulations of all public schools. For example, these schools cannot discriminate in admission policies and procedures;[8] they cannot charge tuition;[9] and their students must take the Ohio proficiency exams.[10]

Critics of community schools will sometimes argue that these schools are not obligated to follow the same rules as other public schools, such as certification standards for teachers. While community schools may or may not have to comply with a particular regulation, they are in fact accountable to a public institution (for example the Toledo School for the

[3] Community schools were first created in 1997 under Amended House Bill 215. See ORC (Ohio Revised Code) 3314 for all information pertaining to the establishment, funding, operating, and all other aspects of charter schools in Ohio.
[4] The expansion was authorized by SB 55.
[5] Russo, Alexander; "A Tough Nut to Crack in Ohio: Charter Schooling in the Buckeye State," pg. 8 http://www.ppionline.org/documents/Ohioreport_0201.pdf
[6] ORC 3314.01 (B)
[7] ORC 3314.03 (A)(1)
[8] ORC 3314.06 (D)(1)
[9] ORC 3314.08 (I)
[10] ORC 3314.04 and 3314.041

Arts is a community school whose charter is authorized by the Toledo Board of Education[11]).

According to state law, the authorizing charter for a community school determines all the following standards:

- the academic standards used by the school;
- the academic goals of the curriculum, and the means by which efforts to achieve such goals are measured, including the use of statewide achievement tests;
- performance standards established by the authorizer to determine the success of the community school;
- admission standards;
- financial auditing standards and procedures;
- achievement of racial and ethnic balance that reflects the local community; and
- qualifications of teachers, including any requirements that teachers be licensed.

These are all determined in the charter contract between the non-profit community school entrepreneur and the *public agency* that authorizes the charter.[12] It is simply false to imply that community schools lack public oversight.

Community Schools as a Way To Help Students in Failing Schools

When the General Assembly created community schools, it declared "the establishment of independent community schools throughout the state has potential desirable effects, including providing parents a choice of academic environments for their children and providing the education community with the opportunity to establish limited educational programs in a deregulated setting."[13] It is clear from the legislative language that created community schools, specifying that such schools could only be created in the big eight urban districts and districts deemed to be 'challenged,'[14] that the General Assembly wanted community schools to be, at least in the initial stages, an escape mechanism for students trapped in Ohio's failing urban school systems.

Part of the reason community schools were created was in response to these two facts:

- urban schools in Ohio have a history of drastic underperformance compared to nearby suburban districts, and
- inadequate funding cannot alone suffice as an explanation for this phenomenon.

Critics of school choice argue that urban schools fail because they lack money. However, the Cleveland City School District spent $11,121 per pupil, the 23rd highest amount for any school district in the state of Ohio.[15] Despite this large sum, the Cleveland schools

[11] http://www.ts4arts.org/school.html
[12] ORC 3314.03
[13] As quoted in the Court's Opinion, OFT v. State BOE 11/21/2004
[14] ORC 3314.02 defines a "challenged" school district as one "that is either in a state of academic emergency or in a state of academic watch."
[15] Based on EFM Expenditures Per Pupil 2004, Ohio Dept. of Education

consistently rank as one of the worst districts in the country in student achievement. The Cincinnati schools ranked 12th in the state at $12,695 per pupil and the Dayton City School District was close behind, ranked 14th in the state in spending, with $11,772 per pupil.[16] It should be obvious then that funding, or a lack thereof, is not the primary cause of urban school district woes.

To add some context to the disconnect between funding levels and achievement outcomes the table below offers comparisons of spending levels and Ohio Graduation Test results from 2004.[17] Ohio's urban districts are spending just as much as, and quite often more than, the so-called 'country club' districts in the suburbs without any achievement numbers to show that the extra funds are producing results.

Table 1

School District	Per Pupil Expenditures	OGT Math (%Limited)	OGT Reading (%Limited)	OGT Math (Advanced)	OGT Reading (Advanced)
Cleveland MSD	$11,121	48%	35%	1%	5%
Cincinnati CSD	$12,695	22%	12%	14%	22%
Dayton CSD	$11,772	38%	19%	1%	4%
Danbury Local SD	$11,919	0%	2%	20%	32%
Lordstown Local SD	$11,550	10%	8%	21%	28%
Hudson Local SD	$9,670	7%	4%	39%	40%

Many public school advocates argue persuasively that schools that serve disadvantaged student populations require additional resources in order to overcome external environmental factors. Among some circles this argument has become almost axiomatic. This leads them invariably to a simple syllogism that if such schools, by and large urban districts, need extra resources and community schools divert resources from these districts, then charter schools are de facto detrimental to these students. However, what such an argument fails to capture is the effect charter schools have on parental involvement, parental satisfaction, and the accountability that these mechanisms provide.

One of the primary purposes of school choice is to create incentives for parental involvement in their children's education. The simple act of choosing a school for their child requires parents to play an active role and incentivizes participation in the education system.

Indeed, a study by the Ohio Legislative Office of Education Oversight in December of 2003 found that 51% of parents with children in a community school were "very satisfied" with their child's education. In contrast, just 25% of traditional public school parents gave their child's school the same superlative assessment. In the same study, when parents were asked to give their child's school a grade, 48% of community school parents gave a grade of "A" while only 27% of traditional public school parents gave that

[16] Based on EFM Expenditures Per Pupil 2004, Ohio Dept. of Education
[17] Based on EFM Expenditures Per Pupil 2004 and OGT results March 2004, Ohio Dept. of Education Limited is the lowest category of achievement on this test, advanced is the highest.

same grade to their schools.[18] These measures are a manifestation not only of parents satisfaction with academic success but also of the overall environment of the school (student safety, types of classes offered, or even simply the feeling of having open lines of communication with teachers and administrators.

It is absolutely true that urban schools need more resources if they are to succeed in educating our most disadvantaged students. Revenues are only one source of resources, however. The resources they need are more intangible than simply adding ever-increasing amounts of money to a broken system. The resources most needed are those that create education environments of parental, and community involvement in the education process. Community schools are proving more capable of creating such environments than their traditional counterparts.

Community schools were also created in the hope that if more money were not the solution[19], introducing choice might at least spur improvement through innovation, whether pedagogical or in shaping the learning environment (i.e. gender-based schools). Here are the premises behind the charter school policy:

- Give parents and students in failing schools a chance to find a more conducive learning environment.
- Introduce competition, or market forces, to encourage institutional improvements for both those students who leave district schools and those who stay.
- Reduce the bureaucracy and red tape that discourages innovative practices and methods.
- Reduce the regulation of teacher certification requirements to allow for innovative teaching styles and the involvement of outside experts. As a result, for example, a school might be able to bring in a NASA engineer to teach a high school science class.
- Create accountability for the worst districts that continue to demand increased funding even as increasing numbers of their students fail to pass basic standards tests such as the Ohio Proficiency Test (OPT) or the National Assessment of Educational Progress (NAEP).
- Enable state policy makers to see whether there might be better ways of spending the state share of education funds.

In addition, unlike the traditional public school system, charter schools have an adaptive mechanism that automatically weeds out poor performers. Because community schools have their charters reassessed periodically, schools that fail to perform will be closed.

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[18] Ohio Legislative Office of Education Oversight; Community Schools in Ohio: Final Report on Student Performance, Parent Satisfaction, and Accountability. http://www.loeo.state.oh.us/reports/PreEleSecPDF/CS_Final_Web.pdf

[19] A significant amount of research has shown little to no correlation between school spending and student achievement. See: *Heartland Policy Study* #68, "Making Schools Work: Spending and Student Achievement," by Eric A. Hanushek or *Heritage Foundation Backgrounder #1448*, "Why More Money Will Not Solve America's Education Crisis**,"** by Kirk A. Johnson, Ph.D., and Krista Kafer.

Those that succeed will continue. This provides a strong incentive for continuous improvement that does not exist in traditional public schools.

The Benefits of Innovation and Compliance with Federal Law

Community schools can be a vital part of education policy by delivering innovative methods and helping the state comply with federal law. The ISUS Trade & Technology Prep community school in Dayton is one example of how community schools can use innovation to improve education.

Another benefit of community schools is that they enable the state to comply with the No Child Left Behind Act (NCLB). Under this federal law, students in schools that fail to meet goals for Adequate Yearly Progress (AYP) must be offered the opportunity to leave the failing school and enroll somewhere else. For some students, community schools may be the only public school alternative. Neighboring suburban districts have demonstrated an unwillingness to absorb students from beyond their borders, and they can legally do so by claiming that they do not have the sufficient capacity.

Do Community Schools Siphon Money from Urban Districts?

When it created community schools, the General Assembly hoped that they would educate students at a reduced cost to the state and its taxpayers. Because of the recession of 2000-2001, Ohio has seen its fiscal projections turn from surpluses to annual deficits. Tensions between community school supporters and those who claimed that these schools siphon funds away from already under-funded districts grew worse.

The Ohio Federation of Teachers (OFT) went so far as to file suit against the entire community school program, claiming that it "deprives certain city school districts of the funds required a thorough and efficient system of public schools."[20]

The Mechanism of Funding Ohio's Public Schools

Because the funding of community schools is tied to the state's foundation funding formula for appropriating funds to traditional public schools, it is necessary to first provide a brief and simplified explanation of this formula. This review will hopefully provide the context and grounding for understanding how community schools are funded.

In the 2001-2002 school year, Ohio spent $16.5 billion on elementary and secondary education, as well as an additional $2.1 billion on capital outlays, in combined state and local expenditures.[21] According to the Ohio Department of Taxation, virtually the entire local share of K-12 funding comes from the property tax. Of all the property taxes now collected in the state, roughly two-thirds go to schools.

[20] As quoted in the Court's Opinion, OFT v. State BOE 11/21/2004
[21] US Census of Governments, 2001-2002 most recent data available.

State and local funds each provide roughly half of all K-12 funding in Ohio. In 2002, local sources accounted for 49 percent, while state funds were 46 percent. (Federal funds amounted to 6 percent.)[22]

State aid to schools was approximately $6.8 billion. About 80% of that was distributed through the Ohio School Foundation Program, which gave the money to 612 city, exempted village, and local school districts. Community schools, on the other hand, received $200 million from the Foundation Program. Foundation Program funds consist of money for general purposes ("Basic Aid") and categorical funds. For a more detailed explanation of the foundation formula see Appendix A.

Calculating state and local funding shares
The following example of calculating state and local shares of funding a district is drawn from the Blue Ribbon Task Force report.[23]

The first step is to determine the Basic Aid amount:

	Enrollment	1,000
X	Basic Aid foundation	$5,169
=	Total Basic Aid	$5,169,000

The next step is to calculate the share of funding expected from local taxpayers. The calculation includes both a variable (property valuation) and a constant (23 mills):

	Property Valuation	$130,000,000
X	Charge-off (23 mills)	.023
=	Local share	$2,990,000

The Basic Aid amount is then adjusted by subtracting from it (charging off) the expected local share:

	Total Basic Aid	$5,169,000
-	Local share	$2,990,000
	State share	$2,179,000

These state versus local share calculations are also used to determine how much each district will receive from the state in categorical and supplemental appropriations.

[22] Ohio Legislative Office of Education Oversight; Funding for Charter Schools
http://www.loeo.state.oh.us/reports/PreEleSecPDF/FundingforCharterSchools_web.pdf
[23] The Governor's Blue Ribbon Task Force on Financing Student Success:
http://www.blueribbontaskforce.ohio.gov/02022005brtf.pdf

The Mechanism of Funding Ohio's Community Schools

The reason it is important to understand how the state determines its share of a districts funds is because *community schools only have access to the state-share of district revenue*. When students leave a public school they only take with them, by statute, the state-share of their per-pupil funds. The local share stays within the traditional public school district even though the student has departed.

In the above example the local district pays 58.6% of the funding for each pupil, and the state is paying the remaining 41.4%. What this means is that every time a student leaves this particular school district they are allowed to take with them only 41.4% of their funds for the community school they have enrolled. In this case, assuming the district is spending only the base amount of $5,169 this means that every community school student takes with them $2,139.97 while leaving behind $3,029.03, and one less student for the traditional school district to educate. These numbers are artificially low because they do not take into account the additional state-share funds for categorical aid funding (listed in Appendix B). The true difference between per pupil funding levels of community schools and traditional public schools is explored in the next section. The above example is merely illustrative of the bifurcation of funding sources and the general implications of this.

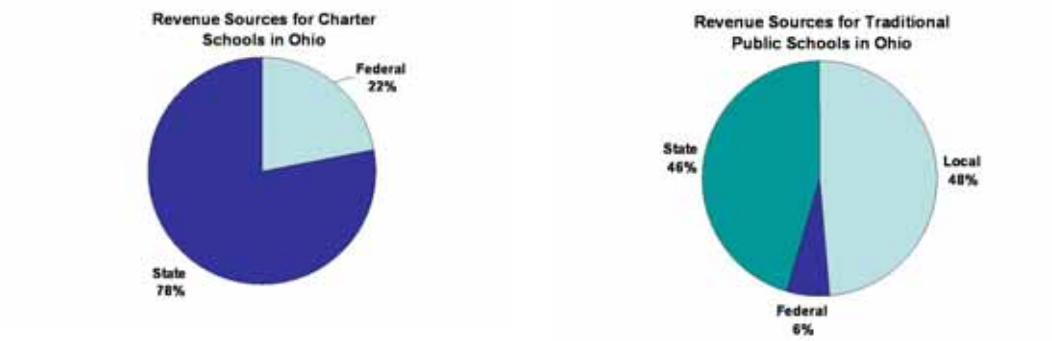
Since community schools cannot, by statute, levy taxes of any kind,[24] they have only one path to public funding. As one court opinion explains, "For each student that opts to attend a community school, the state deducts the base formula amount *from the state tax dollars* awarded to the district."[25] The state determines the local share capacity (involving the millage rates and valuations reviewed above) and then calculates the amount of state share funding necessary to meet the base per pupil funding level. A student who chooses to attend a community school takes to the new school only that state share, whatever it may be, as determined in the general proportion of state and local funding.

The actual amount of state money that is transferred is based on a number of considerations, including the school district's cost-of-doing-business factor, a special education factor, a DPIA adjustment factor, and "an amount equal to the per pupil state parity aid funding calculated for the school district."[26]

What is critical for understanding the funding system, and often distorted or obscured by critics of community schools, is that all of these additional funding factors concern *state-share funds*.

[24] ORC 3314.08 (H)
[25] Court's Opinion, OFT v. State BOE 11/21/2004 (emphasis in original)
[26] ORC 3314.08

Chart 1



Though traditional public school districts receive funds from local and state (and often) federal taxpayers, community schools face a much more constrained situation on another front as well. While state taxpayers do contribute $200 million towards the operating budgets of community schools, under state law "there are at present no funds allocated for purchase or renovation of facilities in Ohio for charter schools. Therefore, charter schools must spend state education funds on rents or leases. As a result, charter schools continue to face serious challenges in affording classroom space."[27] In short, community schools are required to spend their state share on capital *and* operating costs. State funding for traditional public schools can be fully allocated to operating expenses.

This statutory handicap to the development of community schools contributes to the financial disparity between them and their district counterparts. According to a report by the Ohio Legislative Office of Education Oversight, because community schools must use their state aid for both operating and capital expenses, they spend on average 6.4% of their annual operating budget for capital expenditures.[28]

[27] Russo, Alexander; pg. 24
[28] Ohio Legislative Office of Education Oversight; Community Schools in Ohio: Implementation Issues and Impact on Ohio's Education System.
http://www.loeo.state.oh.us/reports/PreEleSecPDF/1CS4_web.pdf

As the Ohio Department of Education explains, community schools face significant financial restrictions:

> ORC [Ohio Revised Code] 3314.08 provides the basis for which community schools are funded. Community schools receive funding from the state through the per pupil foundation allocation. Unlike city, local, exempted village, and joint vocational school districts, **community schools have no tax base from which to draw funds for buildings** and investment in infrastructure. As with all public schools, community schools may seek additional funds through grants, as well as other government and private sources.[29][Emphasis added.]

Calculating the Community School Transfer

(Taken from Ohio Department of Education; The Form SF-3 Line by Line, pg. 12)

Community School Transfer (Line 23C) (3314.08) - If pupils who reside in a regular school district decide to attend a community school, the resident district must transfer funds to the community school to help support the students' education. The funding amount may consist of funds calculated for Formula Aid, DPIA, Special Education Weighted Aid, Vocational Education Weighted Aid and Parity Aid. The formula amount transferred is the foundation level times the resident district's cost of doing business factor times the number of pupils at the community school on an FTE basis with all kindergartners counted as half. For special education and vocational education pupils the amount transferred is the number of pupil's times their respective weights times the formula amount.

If the school district of residence is eligible for DPIA funds and if any of the pupils at the community school are eligible for Ohio Works First (OWF), the district must transfer funds to the community school. For All Day Kindergarten funds the calculation is .5 times the number of ADK pupils times the foundation level. For Safety, Security and Remediation the transfer is $230 for each OWF pupil from a district with a DPIA index between .35 and 1 and the transfer is $230 times the district's DPIA index for each OWF pupil from a district with a DPIA index equal to or greater than 1. For Class Size Reduction (CSR), the transfer is the district's average CSR per K-3 pupil's times the community school's K-3 non-handicapped ADM. However, due to the budget constraints for FY04 and FY05 these formula calculations were replaced with the provisions that each community school receive 102% of its FY03 allocation and 102% of its FY04 allocation in FY05. If the resident district receives parity aid, it must transfer it's per pupil parity aid amount for each pupil attending a community school

[29] ODE; http://www.ode.state.oh.us/community_schools/Finance/

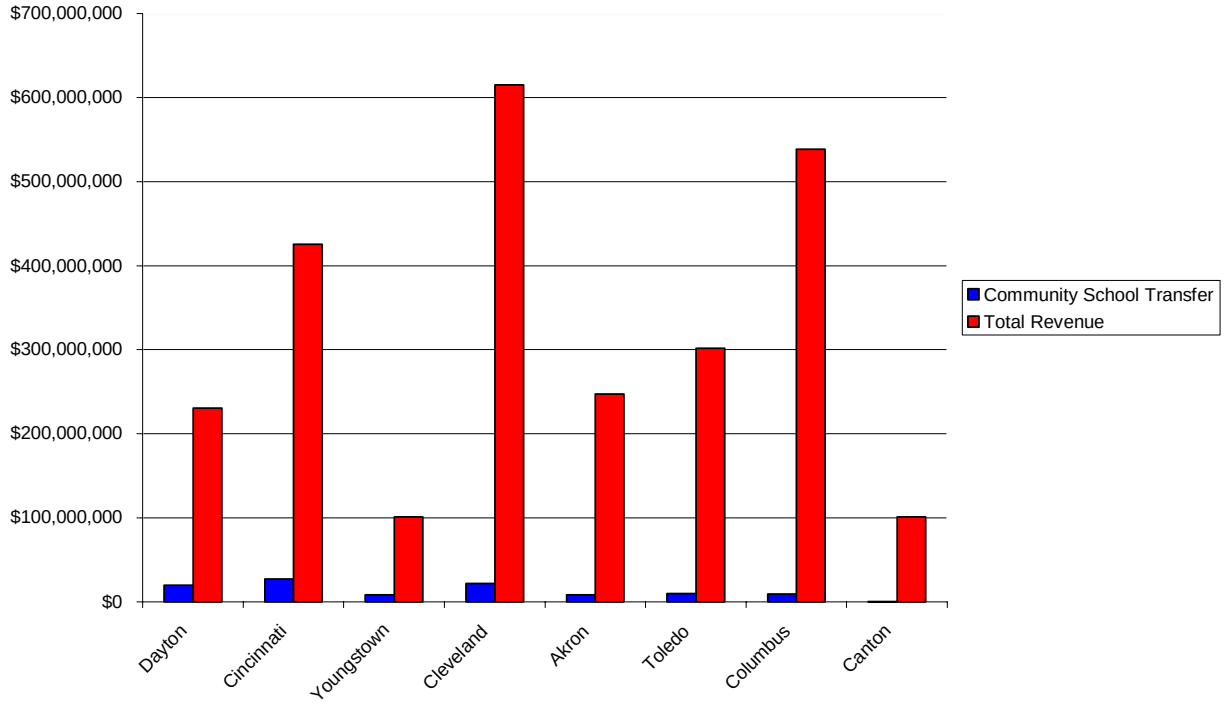
Not Robbers, But Valuable Contributors

Despite protests to the contrary, community schools do not siphon off debilitating portions of the finances of the nearby traditional public schools.

As a component of the total budget, in 2005 community schools will consume only 1.8% of all spending on Ohio's K-12 system.[30] Further, both Ohio statutory law (in the Ohio Revised Code) and case law (*Ohio Federation of Teachers v. Ohio Board of Education)* have established that community schools do not affect the local share of school tax dollars in any way.

For perspective on the absolute impact of community schools, consider that 19% of Ohio school districts lose no portion of their funding to community schools, 69% lose between $1 and $99,999 of their state-share funds to community schools, 11% lose between $100,000 and $999,999 of state-share funds and only 2% of school districts lose over $1 million of their state-share funds to community schools.[31] This is all the more interesting given the restrictions placed on where charter schools can open, i.e. predominantly in the big eight districts with revenues that all exceed $100 million. Chart 2 below shows the comparison of total revenues for each Big Eight district to the amount of revenues lost to community schools in 2002.

Chart 2
Comparison of Big Eight Total Revenues to Community School Funds Transferred



[30] Ohio Department of Education Website, FAQ: http://www.ode.state.oh.us/faq/
[31] Ohio Legislative Office of Education Oversight; Funding for Charter Schools

Analyses by the Ohio Legislative Office of Education Oversight have found that state funding to community schools in Ohio averaged (in 2002) $5,800 per pupil. "When compared to the other six states where charter schools do not receive local tax dollars, Ohio's *state* proportion of overall community school funding is the lowest (76%), resulting primarily from a higher proportion of federal funding."[32] The average per pupil *operating* expenditures for Ohio's traditional public schools in 2002 was approximately $8,200. So just on average, charter schools are providing parents and students with alternatives to their failing traditional schools for $2,400 less per-pupil in operating expenses alone.[32] Add to this the fact that community schools get no funding for capital appropriations and this differential increases even more.

To make the impact of community schools on big eight districts perfectly clear, the table below shows the total amount of money that was transferred from each big eight urban district to community schools in 2002, the loss to the school as a percentage of its total revenue in 2002, and the percentage of students that transferred out of the district.[33]

Table 2

School District	Community School Transfer	Total Revenue	Loss of Total Funding	Loss of Enrollment
Dayton	$19,672,909	$230,734,995	8.5%	15.5%
Cincinnati	$26,999,081	$ 425,659,400	6.3%	10.6%
Youngstown	$8,407,746	$ 100,892,725	8.3%	12.7%
Cleveland	$22,017,219	$ 615,304,000	3.6%	5.2%
Akron	$8,222,776	$ 247,294,646	3.3%	4.3%
Toledo	$10,193,468	$ 302,042,402	3.3%	4.6%
Columbus	$9,245,507	$ 538,694,835	1.7%	2.7%
Canton	$649,853	$ 101,113,555	0.6%	0.5%

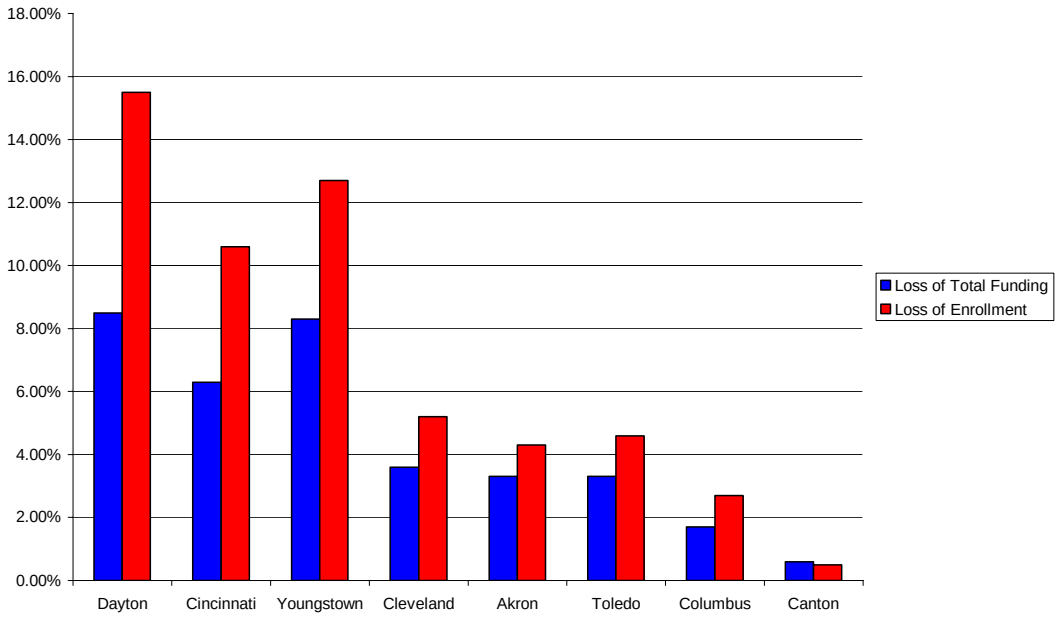
What the above table, and chart 3 on the next page, so clearly show is that rather than harming traditional schools, community schools actually increase their per-pupil funding in seven of the big eight districts (with the difference in Canton being negligible). This is due to the fact that more students are leaving than funds. The most important reason for this phenomenon is that only a portion of the state aid leaves for the community school with each student and the entire local share stays with the traditional district school.

Community schools, then, have a two-fold effect on the cost of educating students. First, district schools receive an increase in per pupil funds as the result of departing students. Second, because community schools have no levying authority of their own, students are being educated there at a fraction of the cost of district school students.

[32] Ohio Legislative Office of Education Oversight; Funding for Charter Schools

[33] Transfer and enrollment losses from Ohio Legislative Office of Education Oversight; Community Schools in Ohio: Implementation Issues and Impact on Ohio's Education System. Total revenue figures from Ohio Department of Education Five-Year Forecasts.

Chart 3
The Effect of Community Schools on Big Eight District Funding and Enrollment



Community Schools and Per-Pupil Dollars: The Case of Dayton

As a case study, the Fordham Foundation conducted a study comparing the revenues of the Dayton city school district and area community schools. What they found was that the traditional public schools had "funding ... nearly 44 percent higher than funding received by community schools" in 2002. Even though community schools are operating with almost half the resources as the Dayton city traditional public schools, students continue to flock to area community schools in increasing numbers every year.

In 2002, the Dayton City School District had an enrollment of 20,811 according to ODE figures. That year DCSD had total revenues of $230,734,995 which translated into roughly $11,087 per pupil. The Ohio Legislative Office of Education Oversight has calculated that in that year DCSD lost 15.5% of its enrollment to local community schools, or about 3,226 students. Because these students only took with them the state-share revenues associated with enrollment, the traditional Dayton public schools saw only an 8.5% decline in their total revenues, $19,672,909. Thus, the new amount of per-pupil funding for those student who chose to stay in the Dayton public schools was about $12,002, an increase of almost $1,000 per pupil.

Source: Bryan Hassel and Michelle Godard Terrell;, School Finance in Dayton: A Comparison of the Revenues of the School District and Community Schools: http://www.edexcellence.net/doc/School%20Finance.pdf.

Conclusions

Policy makers and citizens can draw several conclusions about the community school system in the state of Ohio:

- Community schools are not an alternative to public schools; they *are* public schools.
- Community schools are held accountable by both their public authorizing institutions and by the market of choice. If they are failing to provide an education to their students, they would cease to exist as parents remove their children and send them somewhere else. Instead, charter enrollment continues to grow with every passing year.[34]
- Community schools receive far fewer funds than their traditional public school counterparts do because they only receive a portion of the state funding normally allotted, no proportion of the local funding, and no capital funding of any kind. Considering operating funds alone, community schools provide students and parents an escape from chronically failing schools for, on average, $2,400 less per pupil.
- Because community school students cannot take local-share dollars with them, seven of the big eight districts actually see their per-pupil revenues rising due to increases in community school enrollment.
- The reduced regulations allow community schools to promote innovative approaches that may be the best means of educating some students, especially those hardest to reach.
- Right now, community schools can only be created in the eight urban districts and those districts labeled as 'challenged.' This means arguments that these schools are siphoning funding from the suburbs are either misleading or completely false.
- The urban districts in which community schools are located tend to have the highest levels of total per pupil funding and the lowest achievement scores. As such, families and taxpayers in those districts are also those most in need of the kinds of alternatives that community schools provide.

Under current law, a numeric cap on the number of start-ups limits the benefits of community schools. According to the Ohio Revised Code, "Until July 1, 2005, not more than two hundred twenty-five contracts to which this division applies may be in effect at any time under this chapter."[35] At present there are 243 community schools operating in the state. (District schools that covert to community schools do not count toward the cap). Unless the General Assembly removes this cap, or allows it to expire this summer, the number of students in community schools is likely to remain relatively flat.

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[34]Tiebout, Charles (1956); A Pure Theory of Local Expenditures. Citizens display policy preferences by 'voting with their feet.' In this case, by choosing to move their children into community schools, parents are implicitly showing a preference for, and satisfaction with, this public policy: 416-424

[35] ORC 3314.01.3 and 3314.013

If policy-makers are truly interested in seeing whether or not community schools are working, they should lift the cap and let parents decide the best place for their children to receive an education. If the traditional public schools are doing a satisfactory job, community schools won't open up nearby because there wouldn't be any students to attract. If, on the other hand, enrollment in community schools continues to grow, then we'll know that they are working and are well worth the investment of our tax dollars.

Given all of the advantages of community schools, giving them a portion of the state education funds in an effort to give Ohio's children a fighting chance at learning is money well spent.

Appendix A
Foundation Formula Specifics

Basic Aid

The most important portion of state aid to school districts is general funding, which is called the "basic program cost." It is determined by a complex formula. First, the state uses performance standards to identify successful schools, which are defined as those districts that met at least 20 of 27 academic standards in 1999. The description of the calculations in the text is a paraphrase of the language in that publication. The average costs of those districts becomes the "per-pupil foundation level." For each district in the state, the per-pupil foundation level is multiplied by the number of students living in the district, and then adjusted for regional cost differences. The result is the basic program cost.

The amount of local funds that a district receives is also based on several calculations. The value of all the taxable property in a district, called the district's 'recognized value,' is multiplied by 0.023 (or 23 mills). The resulting amount is then subtracted from the 'basic program cost.' This calculation determines the "state formula aid" amount.

The basic program cost, or Basic Aid, pays for a district's general operating expenses, which includes funds for teachers, instructional aides, and administrators. Routine expenses for buildings, such as heat and electricity, are also paid out of these funds.

The Basic Aid foundation has increased over time from $3,315 in 1996 to $5,169 in 2005. Much of the increase was implemented to mollify the DeRolph critiques about adequacy in funding.

Special or Categorical Aid

While school districts depend on formula aid, they receive other funding streams from the state as well. Categorical aid is money available for specified purposes, such as special education, gifted education, career and technical education, and transportation. In addition, districts may receive disproportional pupil impact aid, or DPIA. Other funds available from the state include equity aid, parity aid, excess cost supplemental aid and charge-off supplemental aid. These latter programs are designed to correct real or perceived flaws in the funding calculations and to reflect specific policy preferences. For more detailed explanations of these programs see Appendix B below.

Appendix B
Supplemental and Categorical Aid

(Taken from report of the *Governor's Blue Ribbon Task Force on Financing Student Success*)

Special Education Weighted Funding
There are six special education categories, each with a unique weight that is determined by the severity of the disability. The total cost is determined by multiplying the weights by the Basic Aid per pupil amount. The state's share is determined by multiplying this total by the state-share percentage.

Career-Technical Education Weighted Funding
Funding for this category relies on the same principle as special education.

Gifted Education
Funding is provided to both school districts and other educational entities.

Disadvantaged Pupil Impact Aid (DPIA)
Districts identified as having high concentrations of poverty are provided additional funds for all-day kindergarten, class-size reductions, and safety, security, and remediation programs.

Pupil Transportation
Funding for transportation is determined by a regression formula, with the state's share determined by the state-share percentage.

Gap Aid
This funding is for districts that have less actual local revenue than what is assumed as the local share in the Basic Aid formula (i.e. 23 mills). It is the difference between what was assumed and a district's actual local revenue.

Excess Cost Supplement
The state has a 3.3 mill cap on what it assumes will be each district's local share for special education, technical education, and pupil transportation. If the actual local share has a value greater than 3.3 mills, the state pays for the excess.

Parity Aid (created in 2002)
This is the state's mechanism for mitigating the equity problems raised by DeRolph. A list of the 490 lowest-wealth districts is created by using a wealth indication metric. (Two-thirds reflects a district's property value, while one-third reflects its income). Each of these districts receives the difference between what 9.5 mills raises in a district at the 80^{th} percentile of funding levels and what 9.5 mills raises in the lower-wealth district.

Guarantees
There are several codified guarantees that districts will not see their state-share funding decrease dramatically from one year to the next.

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