A CASE STUDY OF POST-DEROLPH PUBLIC SCHOOL FUNDING IN OHIO:
AUTHORITY EXPERIENCES ON
FINANCING OHIO’S SCHOOLS IN A “THROUGH AND EFFICIENT” MANNER

A study submitted to the
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A CASE STUDY OF POST-DEROLPH PUBLIC SCHOOL FUNDING IN OHIO: AUTHORITY EXPERIENCES ON FINANCING OHIO’S SCHOOLS IN A “THOROUGH AND EFFICIENT” MANNER

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Using an inductive method, this case study seeks to give voice to recognized school finance experts throughout Ohio on the topic of the K-12 school funding formula. The research focuses on the experiences of superintendents, treasurers, professors, and organizational leaders who have navigated the state formula. The main thrust revolves around what these authority figures see as crucial issues and their ideas on how to possibly reform an unconstitutional method of funding Ohio’s schools. Data sources include interviews with 11 school funding experts at multiple sites, as well as any participating school district’s financial documents, and also state level task force reports. In order to build the study upon a solid structure, the data collection and analysis are guided by the tenants of interpretive, qualitative research and based upon the tenants of grounded theory. Understanding the voices and perceptions of recognized experts in the field of public school funding could be a significant piece in informing state officials, lobbyists, and educational stakeholders in the ongoing saga of Ohio’s school funding reform.
ACKNOWLEDGEMENTS

A sincere THANK YOU -

To my wonderful wife, Amy, who never let me think in terms of “if” I finish, only “when.”

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Chapter I

INTRODUCTION

Problem Statement

The purpose of this proposed research project is to study the topic of school funding in the state of Ohio through the eyes and voices of recognized school finance experts who have experience with the funding formula. The Ohio State Supreme Court has ruled the way in which the state funds its public schools through a heavy reliance on local property taxes as unconstitutional four times in the DeRolph Cases (I, 1997; II, 2000; III, 2001; IV, 2001). Although the Ohio Supreme Court has declared this system unconstitutional, the issue remains unresolved, as the executive and legislative branches have not acted to remedy the current state formula. The fundamental issue of how the state allocates per pupil dollars to the districts of Ohio remains the same. Therefore, it has been argued that the system is inequitable, schools still rely on local property taxes, and students in Ohio have differing educational opportunities depending on where they reside in our state.

Making the situation even worse, economic times have become more difficult, and individual communities throughout the State of Ohio are voting down operating levies for schools at an alarming rate. The situation is so drastic that only 28% of the schools up for a levy in Ohio in August of 2008 were able to pass them forcing K-12 public schools to continue making cuts to the budget (Candisky, 2008). On a national front, the federal government under President Obama has attempted to soften the tough times, but the stimulus money to the effect of 100 billion dollars given to school districts
through the American Recovery and Reinvestment Act is set to expire next year, creating what is commonly known as the “funding cliff” (Robelen, 2009, p. 1). This term means a steep drop in the amount of available money for schools, unless the economy quickly recovers. In an AASA (American Association of School Administrators) survey of almost 900 administrators across the country, one-third of districts state they were not able to save core teaching jobs with the stimulus funds, and almost 20% have cut busing in an effort to save money (Robelen, 2009). In an April 2010 version of this study by the AASA, based on a survey of 453 administrators in 45 states, 68% of administrators cut jobs in 2009-10, and 90% expect to cut staff (many of them teachers) in the upcoming year (Ott, 2010).

Even more recent information shows further concern about school funding in Ohio and the critical nature of addressing the method of how money is distributed to public schools. According to a November, 2010 Buckeye Association of School Administrators (BASA) analysis of levy election results, “voters approved 113 of 214 schools issues on the ballot. However, only 23 of 91 (25.28%) current expense, emergency, and income tax issues that would raise new operating money garnered favorable voter support” (BASA, 2010, p. 1). Following these elections, Medina Superintendent, Randy Stepp, was quoted as saying, “Based on my conversations with people, there’s a lot of unhappiness our there with government, and the only place people really get a chance to voice their opinion is locally, which hits the schools” (Starzyk, 2010, p. B1). The news grew increasingly worse as the information from Governor
Kasich’s proposed biennium budget became public. There were cuts to the basic state aid, loss of federal stimulus money, and reduction of reimbursement for the Tangible Personal Property Tax (eliminated as a revenue source in 2005), prompting Solon Superintendent, Joe Regano to state, “I’m angry. We’re one of Ohio’s top-performing districts. We’ve played by the rules from each governor and the Department of Education. And now they’re going to decimate this district. It’s ridiculous – beyond belief” (Starzyk, 2011, B5). Prior to being finalized by the Ohio House and Senate, Kasich planned on reducing Northeast Ohio districts by $169.7 million in state aid is 2013, causing Michelle Francis of the Ohio School Boards Association (OSBA) to exclaim, “It’s going to have a huge impact on school districts. For some of them, it’s like losing a levy. They’re going to have to go back to the voters” (Baird & Ott, 2011, p. A6). While a portion of this reduction was minimized in the final biennium budget, the environment of lacking school funds remains the same.

In Ohio, since the passage of HB 920 in 1976, school districts must be on the ballot every three to five years in order to collect the necessary money to replenish their general funds. This bill was passed by the Ohio legislature in a time of hyperinflation when the property taxes for housing were rising so quickly that homeowners could not afford to pay these taxes. HB 920 froze the assessed value of real estate that was taxed for purposes such as schools and city services (only 35% of its actual value in the case of schools). Prior to this dramatic shift, as the assessed value of a community’s property rose, the amount that mills raised and monies collected by schools also rose. Post-HB
920, this assessed value of real estate does not rise for the purpose of collecting taxes for schools. Therefore, HB 920 made sense for that unique situation, but it has never been revoked forcing Ohio’s school districts to routinely pass local community levies to continue a revenue stream to operate.

Some might argue that this system forces accountability on the part of schools, while others would counter that it is the children of these schools that suffer when their district has no money and has to cut busing, school activities, courses, etc. Children are the ones that lose opportunities in certain places, while other districts with affluent community members continue to support their own schools to the utmost. For instance, a 2005 survey by the Ohio High School Athletic Association revealed that around one-quarter of the state’s public schools charged fees for athletics and estimated that the number would rise to one half by 2009, causing less and less students to participate (Griffey, Seeton, & Pritchard, 2007). Obviously, we cannot ensure equality of performance with all school age children, but one could argue we should at least provide equality of opportunity. This country professes its commitment to foundations such as equality and freedom, advancing that (public) education provides the building blocks for our future generations. It is possible that if we do not fix the problem of school funding in Ohio, we could potentially be doing our children and our future a serious disservice.

On the other hand, there are data to support the fact that school funding is not completely broken and that spending across the country has increased over time. It could be argued that modifying the funding system is not a priority when money spent on
education has increased exponentially when viewed in straight dollar terms and even significantly when viewed in CPI adjusted terms. The U.S. Department of Education’s National Center for Education Statistics illustrates this data in Table 1. One can see the trend of increased spending per pupil in the last two decades with an increase of 118% from FY 1989-1990 to FY 2006-2007 and a 35% increase during this same period when adjusting for the CPI in terms of 2008-2009 dollar values (U.S. Department of Education, 2009).
### Public School Expenditures Trend

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<tr>
<td>Total expenditures</td>
<td>$5,174</td>
<td>$7,142</td>
<td>$11,259</td>
<td>38</td>
<td>58</td>
<td>118</td>
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<td>Current expenditures</td>
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<td>6,189</td>
<td>9,683</td>
<td>33</td>
<td>56</td>
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<td>Salaries</td>
<td>3,045</td>
<td>4,023</td>
<td>5,851</td>
<td>32</td>
<td>45</td>
<td>92</td>
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<tr>
<td>Employee benefits</td>
<td>775</td>
<td>1,042</td>
<td>1,935</td>
<td>34</td>
<td>86</td>
<td>150</td>
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<tr>
<td>Purchased services</td>
<td>383</td>
<td>533</td>
<td>939</td>
<td>39</td>
<td>76</td>
<td>145</td>
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<td>Supplies</td>
<td>347</td>
<td>491</td>
<td>778</td>
<td>42</td>
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<td>125</td>
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<tr>
<td>Tuition and other</td>
<td>93</td>
<td>100</td>
<td>178</td>
<td>8</td>
<td>79</td>
<td>93</td>
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<tr>
<td>Capital outlay</td>
<td>439</td>
<td>784</td>
<td>1,277</td>
<td>79</td>
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<tr>
<td>Interest on school debt</td>
<td>93</td>
<td>169</td>
<td>299</td>
<td>81</td>
<td>77</td>
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[In current dollars]

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<tr>
<th>Type and object</th>
<th>Expenditures 2008–09 dollars</th>
<th>Percent change 1989–90 to 2008–09</th>
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<tr>
<td>Total expenditures</td>
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<td>Current expenditures</td>
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<td>Purchased services</td>
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<tr>
<td>Supplies</td>
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<td>Tuition and other</td>
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<tr>
<td>Interest on school debt</td>
<td>157</td>
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[In constant 2008–09 dollars]
Furthering the argument that school funding resources are adequate and that increased funding alone is not the answer are the college entrance exam data or SAT and ACT scores. If one views the nationwide trends, it is obvious that increased funding does not directly correspond with substantial gains in these standardized test scores. On the SAT, the average Verbal scores across all races/ethnicities rose slightly from 505 in 1996 to 508 in 2004, while the average Math scores rose a bit more significantly from 508 in 1996 to 518 in 2007 (U.S. Department of Education, 2004) (See Appendix A for full data set). On the ACT, the average English scores across all races/ethnicities barely rose from 20.3 in 1997 to 20.4 in 2005, and the Math scores reflected the same trend with an average of 20.6 in 1997 to 20.7 in 2004 (U.S. Department of Education, 2004) (See Appendix B for full data set). In viewing these overall data, it does not appear that increasing resources directed towards education has had the desired impact of significant gains in achievement.

Given the fact that this defined situation within a nationwide pattern has to do with the state funding formula, this case study examined the experiences of recognized experts (K-12 public school administrators, university professors, and educational organization leaders) with this method of funding Ohio schools. Admittedly, this researcher does have an agenda as an educator, which is to contribute to resolving the funding dilemma. Therefore, the approach most suited for the research is the Pragmatic Worldview (Creswell, 2008). The researcher let the problem solving nature of the topic
guide the interpretive, qualitative study. An early step was to collect a list of school funding experts from across Ohio by contacting key educational organizations (ODE, BASA, OASSA). This sample was not random but purposeful in that the researcher wanted to converse with people who have a depth and breadth of knowledge regarding how Ohio funds its schools, the issues involved, and the history.

Next, the researcher interviewed these 11 experts regarding their perspectives on the dealing with the state formula and if they had any suggestions for the state for improvement, which would help meet the “thorough and efficient” language in the Ohio State Constitution, while using any participating school district’s financial documents (SF-3, PASS, and 5 Year Forecasts) as a resource during research, as well as state level task force reports pertaining to school funding. These document data sources were used to triangulate and support the primary data gathered from interviews. This process coupled with the use of grounded theory helped develop some themes or patterns regarding addressing the funding model and possible areas to remedy, as well as areas worth studying in the future. The plan was to use the literature to focus and inform the areas of questioning in the interviews. The rationale behind the decision to be somewhat focused, instead of a completely open-ended approach, would be to hone in on any crucial areas and hopefully have more depth of response in those respective areas. This study did provide interviews and artifacts to study (financial documents and state task reports), which would help with triangulation and credibility.
Statement of Significance

Studies Addressing the Problem

This study requires an understanding of school funding and subsequent litigation both inside of Ohio and also in the rest of the country. Also, there is a body of research that investigates and studies ways in which to make school funding more equitable and adequate both from the macro and micro perspective. Therefore, the literature in this field of study is somewhat of a hybrid due to the legal nature tied in with the typical studies of the problem.

In order to study and contribute to a solution to the school funding dilemma in Ohio, it is necessary to understand the litigation involved. The first cases on school funding were Miller v. Korns (1923) and Walter v. Cincinnati (1978), which provided the background for the more recent litigation. To comprehend the public school funding situation today, it is imperative to grasp the issues involved in the DeRolph Case, the history of the case, and the impact as it stands. The primary authority on this matter is the case law of DeRolph, which has been heard by the Ohio Supreme Court four times (DeRolph I, 1997; II, 2000; III, 2001; IV, 2001) and is now officially in the hands of the state legislature, as the court will no longer hear the case. There are both legal (De Luca & First, 2003; Yazback, 2007) and educational reviews (McKinley, 2005; McKinley, 2005; McKinley & Phillis, 2008), which have summarized this litigation and explored the implications for school funding in Ohio and elsewhere.
Another important part of the school funding picture is the national stage. Over the last three decades, almost every state has had to deal with litigation and claims that the state funding method of schools is unconstitutional. Two sources of primary authority on this matter are the cases of *San Antonio v. Rodriguez* (1973) and *Serrano v. Priest* (1976), which established the precedent that inequity or inadequacy cases with regard to public education are not protected by the 14th Amendment of the U.S. Constitution but are able to be addressed at the state constitution level. These cases sparked decades of litigation in the area of school funding at the state level. There is literature that discusses the overall impact of these court cases and judicial decisions (Wynkop, 1974; LaMorte & Williams, 1985; Dayton & Dupre, 2006; Neff, 2007; Umpstead, 2007). There is also a body of literature, which summarizes and explains the recent, individual state battles over school funding and the impact on that particular state, be it Arizona, Illinois, Georgia, Florida, or Missouri (Bauries, 2006; Cornelius & Robinson, 2006; Wall, 2006; First, 2007; Podgursky, Smith, & Springer, 2008).

The final body of research is the actual studies and proposals to remedy the current, school funding crisis in the United States. While most of these studies focus on making school funding more equitable or adequate for students, the remedies fall in a few different categories. One important grouping is the concept that state and district money should be tied to individual students, not to the staff or physical needs of school districts (Miles & Roza, 2002; Miles, Roza, & Ware, 2004; Miller, Roza, & Schwartz, 2004; Miles & Roza, 2006; Fordham Institute, 2006; Baker & Elmer, 2009). Other scholars
have simply focused on analyzing the gap in funding between rich and poor school districts and how these gaps could be closed in the future (Guthrie, Kleindorfer, Levin, & Stout, 1970; Holland & Tweeten, 1973; Education Trust, 2006; Baird, 2008; Carey & Roza, 2008; Driscoll & Verstegen, 2009). Still other studies have focused on how public schools are utilizing the money they have already been provided with an emphasis on more efficient spending and spending in a manner that will improve student achievement (Verstegen, 1994; Rothstein, 2001; Guthrie, 2008; Greene & Trivitt, 2008; Hill, 2008; Hill, 2008; Podgursky, 2008). The closest studies and literature to my research on capturing perspectives on how to fund Ohio’s public schools in a “thorough and efficient” manner look at the attitudes of adult Ohioans towards their public schools (Knowledge Works, 2001), reforming state funding formulas with more state responsibility (King, Swanson, & Sweetland, 2005), and proposing amendments to fix the funding issue (Getting it Right, 2007). A more contemporary grouping and approach to examining school funding looks at race as a major factor with respect to how dollars flow to students and schools, and typically the researchers make use of Critical Race Theory (CRT) as a lens to scrutinize this issue (Aleman, 2006; Aleman, 2007; Baker & Green, 2009; Vaught, 2009). A final area of research provides an overview of the condition of school funding throughout the nation during multiple decades (Swanson, 1965; McLure, 1975; Jones, 1978; Berne & Stiefel, 1979; Holmes & Matthews, 1989; Verstegen, 1990; Augenblick, 2001; Jordan & Verstegen, 2009; Glenn, 2009).
Deficiencies in Past Literature

The focus of this study is to add to the knowledge base on the school funding dilemma in Ohio and possibly contribute to a solution, which could entail a reformed funding model. This project achieved the goal by capturing the voices, experiences, and perspectives of recognized school funding experts involved in the process of school funding. Based on the literature and available material, this researcher designed a qualitative, case study using grounded theory that allowed these experts from varying districts, universities, and organizations to explain and elaborate on the financial challenges and how the state legislature could modify the process of funding education to meet the “thorough and efficient” clause in the Ohio State Constitution. This study employed an interview design protocol working with 11 participants from varying school funding backgrounds. The purpose was to describe funding challenges facing Ohio school districts and to identify or propose reforms in the funding model to address the constitutional issue.

A comprehensive collection of the voices of recognized school funding experts is absent in the literature. State-level school funding task forces have worked on the issue, but qualitative analysis applied to individual interviews with recognized school funding experts is a new approach to this continuing problem. Yet, as the personnel responsible for administering the funding formula or with the most knowledge on this area, their perspectives can provide critical insight. One huge gap in the legal material of case law is specific direction from the judicial branch. With the conclusion of DeRolph IV (2001),
the Ohio General Assembly has been put on notice that the state funding formula continues to be unconstitutional, which means not meeting the “thorough and efficient” clause in the Ohio State Constitution. The court has stated that there is an over-reliance on property taxes and the funding system needs to be overhauled, but no specific remedies have been carried out.

As stated earlier, there are available studies that have analyzed how school funding can be transformed. Scholars have looked at how state funding formulas are inequitable and inadequate and could be better served by changing accounting practices and attaching funding to the needs of individual students (Miles & Roza, 2002; Miles, Roza, & Ware, 2004; Miller, Roza, & Schwartz, 2004; Miles & Roza, 2006; Fordham Institute, 2006; Baker & Elmer, 2009). Nowhere in this research is there a focus on actually asking the school districts involved with paying for the education of students and the Ohio school funding experts how they believe this situation can be improved by making some changes to the state formula. Scholars have analyzed the efficiency of school spending and how they believe funding could to be tied better to achievement (Verstegen, 1994; Rothstein, 2001; Guthrie, 2008; Greene & Trivitt, 2008; Hill, 2008; Hill, 2008; Podgursky, 2008), but once again, where in the literature are the individual voices of the stakeholders or the professionals whose charge it is to effectively allocate what state and local funds are provided?
Significance of Study for Audiences

The search for appropriate school funding in Ohio and across the country continues. Judicial branches and legislatures continue to struggle with defining words, such as adequacy and equity, and court decisions to remedy unconstitutional funding formulas have been left unfulfilled. In Ohio, the future of school funding remains as unclear as ever and is still legally unresolved.

In 2007, the Coalition of Equity and Adequacy pushed for a state amendment called “Getting it Right for Ohio’s Schools.” This movement did not involve all of Ohio’s schools and failed to garner enough signatures to take a place on the 2007 November ballot. The proposal had some concrete ideas on how to change Ohio’s school funding formula to remedy this unresolved situation. This proposed study would contribute to this continued movement for defining adequacy and equity in school funding in Ohio. Coalition Director William Phyllis and member schools have shifted gears away from litigation, and this study would give voice to districts and school finance experts across the state for a practical solution to school funding in a Post-DeRolph funding crisis.

Additionally, Governor Strickland and now Governor Kasich along with the Ohio General Assembly continue to analyze the funding of the state’s schools in a tough economy, in which foreclosures and unemployment are presenting serious troubles. Governor Kasich has repealed Strickland’s Ohio Evidence Based Model (EBM) and
plans to unveil a new public school funding model in October of 2011 (with the goal of the model being in place for the 2012-2013 school year). This plan is reportedly based upon input from educators across the state and data from high performing schools and their expenditures; the plan will not be as prescriptive as the Ohio EBM and will work towards regionalizing services (Candisky, 2011). Meanwhile, school districts across Ohio struggle to deal with funding their schools and passing local levies to prevent from cutting staff and programming. It is this educator’s hope that the study will contribute to the knowledge base surrounding the school funding dilemma and a pragmatic solution to the critical mission of paying to educate all of Ohio’s youths in a “thorough and efficient” manner.

**Purpose Statement/Research Questions**

The intent of this pragmatic, interpretive, and qualitative case study based on grounded theory is to contribute to the understanding of the Ohio public school funding crisis and possibly contribute to a solution by providing ideas to create a reformed funding model. The research questions that drove the study are:

1. What issues do school districts encounter related to the current funding method?
2. What ideas do knowledgeable scholars and practitioners have on how this funding model can be reformed to finance schools in an improved manner that meets the “thorough and efficient” clause of the state constitution?

Exploratory interviews were used to probe areas of the school funding formula with 11 school funding experts at a variety of different locations and organizations.
throughout the state. The researcher purposefully sampled experts in the field of school funding and, when possible, made use of participating districts’ SF-3, PASS, and 5 Year Forecasts and available state level task force reports as additional data sources to support and triangulate findings based upon the interviews. The goal was to describe the perspectives of these administrators, professors, and educational leaders with the funding formula, as well as any possible recommendations for reforms in response to this well-established issue.
Chapter II

LITERATURE REVIEW

Introduction

In order to frame the study, it is first necessary to establish the relevant research. The available literature on public school funding in Ohio and, holistically speaking, the nation, can be divided into a number of categories. The first major area is the legal material. A critical component of literature regarding the law is on the DeRolph Case in Ohio, which can be divided into the case law (primary authority) and also the secondary sources such as scholarly journals and legal research (secondary authority). Likewise, there is a body of legal research that includes case law and secondary sources on public school funding for states throughout the country. A third area of focus in the literature are the actual studies that look at attempting to resolve the public school funding issues that are prevalent in all states. Naturally, this area can be further subdivided into individual groupings of studies that look at the same type of resolution to the funding problem, whether these studies are from the perspective of organizations, public school administrators, or scholars at the university level. The purpose of this literature review is to provide a framework for this study and provide a solid basis for the interview study with the end goal of addressing the research questions of the issues that Ohio school districts face in school funding and ideas that school funding experts have on reforming Ohio’s funding model to create a “thorough and efficient” model.
Legal Background of DeRolph

In order to understand the current public school funding situation in Ohio, it is first necessary to comprehend the legal background of the DeRolph v. State of Ohio case. The primary authority on this matter is the actual case law, while the secondary authority resides with other scholarly works, such as law reviews. This section will walk the reader through the background of this case, including the previous two funding cases of Miller (1923) and Walter (1978), and also establish what has been written on the subject of the DeRolph case.

The first lawsuit of note in Ohio that dealt with the issue of school funding was the 1923 case of Miller v. Korns. The local tax payer (Miller) and Silver Lake School District sought injunctive relief against the county auditor and treasurer and made the claim that the Ohio General Codes 7575 and 7600 were not constitutional. The Supreme Court of Ohio affirmed the local court’s decision that stated that the 2.65 mill tax levy was collected uniformly and distributed statewide for a legitimate state purpose; therefore, this tax did not violate the taxpayers’ Due Process or Equal Protection rights. Plaintiff Miller had based his case upon the fact that both he and his resident district paid proportionally more than other areas and that the state tax was unconstitutional. The Ohio Supreme Court found no fault with collecting state taxes and apportioning to local districts based upon need.
The second school funding case of note in Ohio was called *Cincinnati v. Walter* (1978) and was a class action suit in which the Board of Education of Cincinnati, et al. sought a decision that the statutory provisions of Section 2 Article VI (Thorough and Efficient Clause) and Section 2 Article I (Equal Protection and Benefit Clause) of the Ohio State Constitution were unconstitutional. The Supreme Court of Ohio reversed in part and affirmed in part the decision of the appellate court. The court held that local control and disparity among schools in funding did not violate the Equal Protection Clause and that each district was given the means to fund education to the minimum standards of the State Board of Education (reversal). Additionally, the court affirmed the earlier ruling that the issue regarding the “Thorough and Efficient” Clause was justiciable, cited *Miller v. Korns* in doing so, and stated that the state formula did provide a minimum funding floor to provide each district the means to comply with minimum standards.

These two cases set the stage for the most recent era of school funding litigation in Ohio, which spanned from 1991 until 2002 and is known simply as *DeRolph*. The issue in the *Miller* case was whether the state had the right to levy taxes in local areas and use those for state educational purposes. The *Walter* case took school funding litigation to another level causing deliberation over equal protection, as well as deciding that a minimum state education was indeed “thorough and efficient.” The *DeRolph* Case is a part of the third wave of school funding litigation and became more complicated as the focus shifted to defining adequacy and equity in education.
In 1991, the appellant school districts first filed the *DeRolph* case in the Court of Common Pleas for Perry County asking the court to rule Ohio’s school funding system unconstitutional. Both plaintiff and defense agreed that the system was inadequate and needed reform, but there was disagreement over the constitutionality of certain statutes. The trial court ruled that the state funding system did violate a major provision of Ohio’s Constitution, specifically Section 2, Article VI, which requires a “thorough and efficient” system of common schools throughout the state. The Fifth Circuit Court of Appeals reversed the decision in a split decision, causing the Appellants to appeal their case to the Ohio Supreme Court (*DeRolph* I, 1997).

In 1997, the Ohio Supreme Court reversed the court of appeals and agreed with the initial trial court, stating that the legislature failed to provide a “thorough and efficient” system of common schools and was therefore in violation of the Ohio Constitution. The rationale was that some schools were in desperate need of funds, teachers, and equipment. The court ruled that the system needed complete reform and left that charge to the Ohio State General Assembly, which was supposed to remedy the situation by enacting new legislature (*DeRolph* I, 1997). This decision did not solve the dilemma but continued the chain of events.

The story progressed only one month later as the appellees filed a motion for clarification and reconsideration from the Ohio Supreme Court regarding their March decision. The state had three questions regarding the previous decision; they asked if property taxes could be used in the new funding formula, whether schools could still
borrow as they had done prior to the decision, and if the court was going to retain jurisdiction. The Ohio Supreme Court responded that part of an acceptable funding solution could be that property taxes would be used as a partial source but not the primary source. Additionally, the court did not invalidate borrowing of money by the districts prior to the case. Those contractual loan obligations by schools were still in tact. Finally, the court did not retain jurisdiction, as it gave the Ohio General Assembly one year to fix the constitutional problems with school funding and remanded the responsibility of evaluating those changes to the trial court (DeRolph I, 1997).

In 2000, the State of Ohio appealed to the Ohio Supreme Court in order to challenge the ruling of the Court of Common Pleas of Perry County, which had stated that the efforts by the Ohio General Assembly had been inadequate in remedying the unconstitutional portions of Ohio’s public school funding formula. The Ohio Supreme Court agreed with the trial court that the state had failed to systematically overhaul the public school finance system and had an issue with a number of specifics. First of all, the court took issue with the way in which the state measured equity of school district funding because the state had ignored the expert consultant’s recommendation for measuring standards. Secondly, local property taxes were still used as the primary source for public school funding. Thirdly, adjustments in the budget made to address the issue of a need for new school facilities and maintenance of existing structures was still insufficient and did not address the $16.5 billion budget deficit. Finally, the court took issue with the fact the state had passed further accountability for school districts but did
not pass the appropriate funding measures to aid schools in meeting these standards. The one-cent sales tax increase initiative had failed, so the state had in effect created an unfunded mandate and had actually worsened the financial capability of its public schools (DeRolph II, 2000).

On the other hand, the Ohio State Supreme Court was not willing to completely reject the efforts and alleged progress of the legislature. The court stated that the process was complex and involved many factors. Therefore, the court gave the legislature extended time of 13 months to bring the state funding formula into compliance with the Ohio Constitution. As Chief Justice Moyer pointed out in his dissenting opinion, the court still did not specifically define a “thorough and efficient” education for the General Assembly, but it did emphasize the ideas of adequacy and equality. In Justice Moyer’s mind, the majority decision had essentially told the legislature to “… once again to go back to the drawing board, while not describing in a meaningful way what the final design must look like” (DeRolph II, 2000, p. 80).

June 2001 began a third chapter in the DeRolph saga, as the Ohio State Supreme Court evaluated the new public school funding plan as devised by the General Assembly in Am. Sub. H.B. 94 (Ohio 2001). The court ruled that there were still three major changes that needed to be addressed to put the new funding plan in constitutional compliance. The first required change was the state had to expand the calculation of base cost formula, which set a basement dollar level per student for providing an adequate education, to include the top 5% and low 5% of school districts and could only include
those districts who had achieved at least a 20 out of 27 performance standards on the state report card. The court also stated that the lowered base cost amount figure (per student) was unsubstantiated, due to the fact that the legislature used numbers either from the lower of 1996 fiscal year expenditures or 1999 actual fiscal year expenditures. Finally, the court ordered that the parity aid program, designed to aid poorer districts and give access to funds on par with wealthier school districts, had to be fully funded and functional by fiscal year 2004, instead of 2006 (DeRolph III, 2001).

This court decision left the General Assembly with specific directions to remedy the school funding formula to meeting the constitutionality test that had previously been set forth by the Ohio Supreme Court. The court also gave up future jurisdiction of the case. This time, the harsh dissenting opinion came from Justice Resnick who appeared disappointed with the majority opinion’s decision to direct the legislature on exact actions, while also relinquishing jurisdiction. She felt that Am Sub. H.B. 94 (Ohio 2001) was not a “complete systematic overhaul” of the funding system, nor had the legislature Remedied the “thorough and efficient” problems (DeRolph III, 2001, p. 160). Justice Resnick felt the majority decision was a method to stop further litigation and a defeat to the school districts and students across the State of Ohio.

One month later, the drama continued to unfold as the state issued a motion to reconsider the decision in DeRolph III, due to the fact that the information used to alter the base cost formula “may have been Based in part upon erroneous calculations and data” (DeRolph, 2001, p. 1). The Ohio State Supreme Court granted the motion to
reconsider but ordered the state to meet with the plaintiffs in a settlement conference that would involve a mediator and an invitation by the Ohio State Governor (Taft) to resolve the issues. The rationale of the majority decision was that this conundrum of public school funding and 10 years of litigation had not been resolved by the court, the legislature, or the executive branch. Due to the complex nature of the problem, the court felt it was time for an official mediation to reach a settlement (DeRolph IV, 2001).

Unfortunately, the settlement was not forthcoming. The parties were not able to reach an agreement. Therefore, for the finale of *DeRolph*, in December 2002 (DeRolph, 97 Ohio St. 3d 434), the Ohio State Supreme Court vacated the decision of *DeRolph III* and fell back in line with earlier decisions of *DeRolph I and II*. The court stated that the public school funding formula was still unconstitutional. The majority opinion reverted to the original language and suggested to the legislature that they focus on a “complete systematic overhaul” of the funding system (DeRolph, 2001, p. 5). Essentially, the Ohio State Supreme Court left the General Assembly with the original, constitutional phrase of a “thorough and efficient” education for all students in Ohio (DeRolph, 2001, p. 5).

Chief Justice Moyer once again stated his dissenting opinion and captured the frustration of many by stating, “today, however, the majority says nothing concerning enforcement of its reaffirmed declaration that the current school-funding system is unconstitutional. It neither retains jurisdiction in this court nor remands the cause to the trial court” (DeRolph IV, 2001, p. 41). Basically, the majority had dismissed the case with no resolution and no desire to consider further litigation.
Moyer did provide an alternative of adjusting *DeRolph III* by allowing “wealth screens” because the state had shown “the use of wealth screens is standard practice throughout school finance and the discipline of statistics generally” (DeRolph, 2001, p. 55). Wealth screens referred to the practice of removing the top 5% of wealthy districts and bottom 5% of poor districts due to their distorting factor of the base cost formula. To illustrate this difference, it would have meant an average expenditure per pupil of $5,023 vs. $5,467 in fiscal year 2002 (DeRolph, 2001, p. 61). Instead of a concrete base cost, the court left the legislature with a general phrase and nothing more.

**Secondary Authority on DeRolph**

There have also been a number of secondary sources that have focused on the *DeRolph* case and its implications for school funding in Ohio and elsewhere. One of these works by First and De Luca (2003) explains the confusion of the multiple *DeRolph* decisions in context of a national school-funding crisis. The article traces the problem of school funding and includes *DeRolph* along with earlier court decisions and laws. The meaning of the term educational adequacy is discussed in terms of how states have dealt with their own funding issues. The authors advocate the public taking responsibility for adequate school funding.

The authors point out that litigation has had mixed impact on school funding, but the bottom line is that many schools across the country are still inadequately funded. The emphasis was initially on equity or an equal amount of money, but by the writing of the report entitled “A Nation at Risk” in 1983, the movement had shifted to adequacy. The
article traces this term in Ohio and elsewhere but makes the point that adequacy has come to mean a base amount as opposed to an ideal amount. In later cases such as *Pauley* and *Rose*, the judiciary branches did increase the meaning to include standards and not just opportunity (First & De Luca, 2003).

Another work by Yazback (2007) is an excellent analysis and synopsis of four of the Ohio Supreme Court *DeRolph* decisions. Yazback first chronicles the procession of the litigation and explains the intricacies of the 13-year story of public school funding in Ohio. Next the author explains the “thorough and efficient” term as defined in other states. This part is extremely useful and relevant due to the complete lack of clarity in the *DeRolph* proceedings.

In summary, 16 states use this phrase or one of the individual words in their explanation of a basic education. Some states have a base level of money per pupil that must be funded, while allowing the flexibility for local schools to go beyond this basement level. Other state courts will not even touch the issue, as the judicial branch does not believe it is the courts’ responsibility due to separation of powers, while still other state courts have ruled the issue of an “efficient” education as a nonjusticiable question or not appropriate for judicial review. A few states specifically provide elements of an adequate education (Yazback, 2007).

From the information, Yazback gleans that most states believe the “thorough and efficient” phrase should be defined as an overall state system that has a basic funding level provided by state dollars, even if local funds may contribute or supplement beyond
this point. Using this definition, the author explains and evaluates Ohio’s current funding program in Ohio Revised Code Chapter 3317, as well as changes after 2005 due to the legislature and Governor Taft. The conclusion is that 2005 was the closest the state has come to being constitutional and that newer reforms such as HB 66 have moved the formula further away from “thorough and efficient” (Yazback, 2007).

McKinley (2005) also explored the topic in two part series that takes a close look at the 13-year DeRolph court battle. The author takes a little different perspective than other scholars in the area of school funding. While she does spend time on the technical portions of the case, McKinely also highlights the politics and groups that were engrained throughout the entire process. Part I focuses on the background of the case and takes the reader up to when the Ohio Supreme Court first begins its involvement. McKinley explains all of the individuals, groups, and conditions that were a part of the case, including the creation of the Ohio Coalition for Equity and Adequacy (otherwise known simply as the Coalition), which was an integral part of the litigation (McKinley, 2005).

McKinley opens with the aftermath of DeRolph IV and the frustration of the Coalition. “The Coalition argued that federal intervention was necessary because the Lewis decision, or DeRolph V, handed down by the Ohio Supreme Court, prohibited Judge Lewis of the Perry County common pleas court from carrying out the judgment of DeRolph IV” (p. 4). The Coalition appealed to the U.S. Supreme Court, but the Court denied the petition for a writ of certiorari. This action essentially ended any hope the Coalition had of enforcement by the judicial branch. Then she summarizes the events
leading up to the original cases in Perry Country, the appeal to the Circuit Court, and
*DeRolph I*, including intricacies such as arguments, witnesses, and the judges’ decisions
(McKinley, 2005).

Part II of the series focuses on the portions of the *DeRolph* case after *DeRolph I* and includes all of the events of *DeRolph II, III, and IV*, as well as intervening action, politics, and the situation after the case had been resolved. Additionally, McKinley focuses on the reaction to the individual decisions as well as media treatment of the issue. She elaborates on the growing divisions within Ohio as the case evolved. An example was the 2000 attempt by certain groups such as the Ohio Chamber of Commerce to remove Justice Resnick from her seat because of her role in crafting *DeRolph II* (McKinley, 2005).

Due to the complicated nature of the case, the author then explains the issues that drew the battle lines between the two sides. She elucidates on the following topics: separation of powers and justiciable controversy, "thorough and efficient," adequate education, standards and accountability, local control, overreliance on property tax, and complete systematic overhaul of the system. The author finishes with a recommendation for going forward, which is for a task force to define “thorough and efficient” and also to link funding with school performance on academic standards or linking inputs to production. Finally, McKinley feels it is necessary for people to use the political and even partisan environment to take action and force the hand of the state. She advocates further action and leadership by educators to continue the struggle (McKinley, 2005).
A final piece on the progress of school funding reform since *DeRolph* is also done by McKinley but in collaboration with Phyllis (2008). This very recent work by key figures in the public school funding reform campaign serves a number of purposes. First of all, the authors summarize the *DeRolph* litigation in order to set the context of the rest of the article. Next, they explain the new Coalition and the movement to further the school funding reform by using a constitutional amendment. Finally, they discuss the implications of Ohio having its first democratic governor in 16 years (McKinley & Phyllis, 2008).

Since *DeRolph*, the E&A Coalition (Ohio Coalition for Equity and Adequacy) has been the group that is continuing to push reform by trying to spark discussion and grassroots movements. This group recognizes that more money has been poured into public schools since the publicity of *DeRolph*, but the goal of having a constitutional system continues to be elusive. The group sponsored a ballot initiative called “Educate Ohio” which failed to receive 100,000 signatures, and they are still working for a constitutional amendment to be on the ballot (McKinley & Phyllis, 2008).

The authors also explain how a loose coalition of education-related groups and E&A attempted to put a constitutional amendment called “Getting it Right for Ohio’s Future” on the ballot. The amendment outlined a process for determining the components of a high-quality education and a method for determining the cost of such education. It included provisions to create a governing and accountability board for education in Ohio and to create a 20 mill floor that is exempt from HB 920 to be the basis
of local contributions. Their work then continues with other provisions of the amendment and how it failed to garner enough signatures by August 2007. There is much resistance to this power of funding schools being taken away from the legislature. Governor Strickland is spending much time and effort on reforming schools, but he has made it known that simply spending more money will not solve the problem. He has attacked the use of school vouchers in Ohio, but beyond that advocates are still waiting for action (McKinley & Phyllis, 2008).

**Legal Background on School Funding**

Another important piece of the literature involves the legal background of school funding formula litigation in the U.S. As with *DeRolph*, the primary authority lies in the case law of a few major decisions. There is also much written in law reviews and other sources on the implications of school funding litigation across the country.

The landmark public school funding case is *San Antonio v. Rodriguez* (1973) and was heard before the United States Supreme Court. This decision is an integral part of case law regarding the equity issue of school funding. The Defendant State of Texas had appealed a decision from the United States District Court for the Western District of Texas. The case was a class action suit brought on behalf of all parents of school age children in Texas who were minorities or resided in poor areas with a low property tax base. The district court had ruled that the Texas system of funding public schools violated the Equal Protection Clause of the Fourteenth Amendment. The rationale was
that there was a substantial difference in the amount of school district expenditures due to a difference in the amount of local property taxation (Rodriguez, 1973).

The Supreme Court reversed the decision of the lower court. The Court explained that when money was involved, the Equal Protection Clause did not necessitate absolute or exact equality. Additionally, the Court ruled that the Texas system did not discriminate against any particular suspect class. The Court did not rule education to be a fundamental right or liberty and used a standard of review that required only that the state funding system have some rational relationship to legitimate state purposes (Rodriguez, 1973). This case had important implications in that it did not set a precedent that states throughout the country were to fund all schools at exactly the same amount.

The other crucial case was *Serrano v. Priest* (1976). This case was heard by the California Supreme Court following the famous *San Antonio v. Rodriguez*. The Court heard the case on appeal from the Superior Court of Los Angeles County, which had ruled that while California’s school funding system did not violate the Equal Protection Clause of the Fourteenth Amendment, it did violate the Equal Protection provisions of the state constitution (Serrano, 1976).

The California Supreme Court affirmed the decision of the lower court agreeing that the state public school finance system had been shown to discriminate. The fundamental right of educational opportunity varied based upon local resources or the assessed valuation of local property taxes and the related collections. Therefore, the
criteria of strict scrutiny was appropriate, and the state had the burden of showing a compelling state interest in its discrimination. The State of California did not meet its burden, thus setting the precedent that although the Equal Protection Clause of the Fourteenth Amendment could not be used as a remedy to unequal school funding, individual state constitutions could be the source of justification (Serrano, 1976).

**Secondary Authority on State Cases**

In the realm of secondary sources discussing school funding litigation, there are two main categories in the literature. The first category is one of explaining the overall impact of litigation on school funding throughout the country. The second grouping is the summary of school funding court battles at the individual state level.

Wynkop (1974) undertook an early study and summary of court decisions and commission reports after the initial *Serrano* decision. This era in school funding was marked by an initial surge in litigation, due to *Serrano* (1976) and *Rodriguez* (1973), so the author looked at the implications of these many court decisions. While his findings showed a number of patterns in litigation, there were only two unanimous criteria for a national school-funding model. Only fiscal neutrality (meaning the level of spending on a child is not a function of wealth other than the state’s wealth) and variations in expenditures per pupil appeared to be possible basis for a consistent national model (Wynkop, 1974).

LaMorte and Williams (1985) also analyzed court decisions dealing with school district wealth and school funding from made in the period from 1978-1984 with the
purpose of finding commonality in the legal rationale of these decisions. More specifically, the authors looked to see if there were any patterns of state courts upholding the decisions by lower courts in finding current funding systems unconstitutional. One such pattern was that while courts in seven states ruled that the school funding system needed to be overhauled, these same judicial bodies were reluctant to have any role in the refashioning of the systems because of the concept of separation of powers. The justification for their decision stemmed from education being considered a “fundamental interest” (not to be confused with fundamental right guaranteed by the U.S. Constitution) and the state funding systems being seen as irrational (LaMorte & Williams, 1985, p. 73). On the other hand, in nine states where the courts upheld the constitutionality of the funding method, the courts used the rationale that the state constitutional language did not justify judicial intervention in inequities or inadequacies that might exist (LaMorte & Williams, 1985).

Umpstead (2007) analyzed how court cases from the last two decades have shaped how the term adequacy is viewed and defined. From these cases, the author explains the characteristics of the term adequacy as they relate to creating a funding system that allows for a high minimum quality education. When courts have found school funding systems unconstitutional, the order from the courts is to renovate or recreate the systems in order to meet the constitutional minimum. When these cases occur, the argument typically involves the funding and constitutional language and
sometimes involves the standards of education or allow for accountability systems to accompany the adequate level of funding (Umpstead, 2007).

The author explains that the three parts to adequacy lawsuits have included funding, goals, and accountability. Many of the cases regarding funding make the statement that it is the responsibility of the state, not the local entity, to make sure that the education provided is adequate. Other states and cases have involved the idea of interpreting whether schools in the state have met goals or standards. The third issue ruled on in the courts is that states must not only fund and set standards but that the state must also be held accountable for the performance of its students and schools. Umpstead makes the point that the result of the case law does not point to states enforcing equal funding in its districts, but instead focuses on helping high cost districts (due to student and geographical factors) and allowing localities to supplement the minimum from the state (Umpstead, 2007).

Dayton and Dupre (2006) also focus on the overall impact, but they discuss the past of school litigation, the impact of the Serrano case, and the implications for school litigation and school finance in the future. The authors emphasize the importance of the original 1971 Serrano Case, as it was the first successful challenge to a state school finance formula and established a standard for future courts to use when hearing cases regarding inequities in school funding. The court established that the quality of a child’s education should be related to the wealth of the state and not that of the local community (concept of fiscal neutrality). The authors continue with litigation that ensued at the state
level following the *Serrano*. This process took three decades, although the decisions remained at the state level due to the decision in *San Antonio v. Rodriguez* that education is not a fundamental right that is protected by the Fourteenth Amendment of the U.S. Constitution (Dayton & Dupre, 2006).

The authors make a difficult and skeptical conclusion. Even though many cases side with the plaintiff school districts, this decision does not necessarily equate with legislative actions. Even if the legislatures act, it does not mean that the equity issues will be fixed. Their work leaves the reader with the argument that the people must commit to supporting schools because the government branches will not commit to lasting reform in school finance unless forced to make this change (Dayton & Dupre, 2006).

In a final work on the impact of school funding litigation, Neff (2007) accomplishes four separate, yet related purposes. First of all, the author does a historical analysis of what Ohio’s Second Constitutional Convention meant by the term “thorough and efficient.” Secondly, the author summarizes the different and recent judicial interpretations of this phrase and points out that this disparity should not be the case due to the fact that all of the states used the exact same language. The third section compares the modern judicial interpretations with the original intent of the Constitutional Convention in order to define the phrase. Finally, Neff proposes a constitutional amendment in Ohio to change the language defining “thorough and efficient” to match the original intent of the framers. This process might also help those other states with the
same language as well. His answer for Ohio is to pass the “Getting it Right” Amendment or some other amendment in order to rectify the school funding dilemma in this state (Neff, 2007).

The second area in which there is a plethora of scholarly work involves research in the area of individual states battles over school funding. These works focus on summarizing the litigation in one state or one extended case and then the implications of this case law.

One author who focuses on Arizona is First. Her work gives perspective regarding funding public schools in other states, as the author summarizes the legislative debate and case law with respect to the State of Arizona providing its constitutionally guaranteed “general and uniform” public school system. First points out that the legislature in Arizona has not been active in making the necessary changes and has not properly funded the state’s public schools. Arizona also heavily relies on local property taxes to fund its schools, causing the same inequity issues as in Ohio. *Flores v. State of Arizona* (2000) is a similar saga as *DeRolph* in Ohio in that both have dragged on for decades with media coverage and heightened awareness but little change by the legislatures. First finishes with a discussion of adequacy, treatment of this term by the courts, and advocacy for further funding of public schools (First, 2007).

Wall (2006) provides background into the discussion of adequacy and efficient use of money through the use of cost analysis. The author delves into this issue in the State of Illinois, mirroring the dilemma in all states, that taxpayers want students to
achieve at certain levels, but at what cost? The study was conducted as a cost analysis of the educational system in Illinois in order to make improvements. The variables of the study included finance, achievement, environment, and school with information taken from the State Report Card. This quantitative study corroborates much of the other research, which reveals that high achievement schools tend to be better funded, even though the students at low achieving schools require more resources. The author also makes the point that taxes in Illinois tend to be regressive as poorer areas have to pay a higher proportion of their resources to fund education, although the achievement in those schools do not reflect the inputs (Wall, 2006).

Cornelius and Robinson (2006) focus on the State of Georgia. Their work summarizes the current litigation in Georgia regarding school funding, as the Consortium for Adequate School Funding in Georgia battles the state. The author summarizes the arguments and developments, as the two sides await their date in front of the Georgia Supreme Court. The case is similar to the one in Tennessee, where a number of rural, low wealth districts sued the state because of equity issues caused by reliance on local resources. As with other states, Georgia sets a minimum amount of money, which will be allocated per student on a yearly basis. The legislature takes into account the special needs of the district and then expects a contribution from the local taxpayers. The CAFSG’s arguments are that high-wealth districts have certain advantages, due to their wealth, and only districts willing to levy a certain amount of taxes for schools able to capture the full formula earnings. The CAFSG believes this level funding is
unconstitutional. The state has made a number of arguments, including the idea of separation of powers or the concept that the judiciary cannot force the legislative branch to make any changes (Cornelius & Robinson, 2006).

Bauries (2006) explored the public school funding formula in Florida and the resulting litigation. The first part of the work traces the historical development of the education article in the Florida constitution. Next, the author illustrates how most of the early litigation focused on the uniformity provision of the education article and how there was a failed third-wave effort of adequacy litigation. The failed adequacy case appears to be the results of the court’s hesitancy to overstep bounds by ordering the legislature to allocate funds. He concludes with exploring the possibility of using Florida’s referendum process in order to avoid courtroom battles and instead use the power of numbers to further education finance reform in the state. The author discusses the possibility of a fourth-wave reform, which would entail using state constitutional amendments in order to change state funding of public schools (Bauries, 2006).

Podgursky, Smith, and Springer (2008) summarize the recent litigation regarding public school finance in Missouri. This type of adequacy and equity litigation is not unusual in any state across the country, but the proceedings and decision in this case were unique. First of all, a few taxpayers in Missouri were able to come to the defense of the state and, at the same time, raise efficiency issues of school spending practices. Secondly, the outcome at the circuit court level was entirely in favor of the defense or the state formula. The authors conclude that litigation is not the answer to reforming public
school funding formulas, nor will it close achievement gaps or help with overall accountability of schools (Podgursky, Smith, & Springer, 2008).

This research gives background to the multiple phases of school funding litigation and also a history to education finance litigation in Missouri. The authors also discuss the attempts by the Missouri State Legislature to fix their formula, as well as the issue of adequacy with respect to the concepts of horizontal equity, vertical equity, and student achievement. Finally, the authors advocate for focusing on dollars being attached to students and working for equity in this direction versus between districts (Podgursky, Smith, & Springer, 2008).

**School Funding Studies**

Another area of available literature is the study of school funding that deal with the problems and possible solutions to school funding across the nation. Many of these studies are funded by a variety of institutes that would like to see reform in the field of education. The research in this area is divided into a number of areas. One grouping is devoted to pushing for funding to be changed to a system where dollars would be attached to the individual students and their needs, instead of by size of buildings and staffing. A second area is research analyzing the discrepancies in school funding, and this group favors closing the gap in funding between different schools and districts. A third area is the literature that focuses on funding schools in such a way that would be efficient and focus on student achievement, and a fourth category is the work that is closest to this study of attempting to find specific remedies to the existing funding
formula. A fifth area of new literature revolves around scholars using race as a basis to analyze school funding. One final area of literature is overall summaries of the funding picture of public schools in the United States.

**Student Based Funding.**

As stated above, the first area of school studies addresses the concept of reforming school funding by attaching dollars to students versus the current method of funding by building and staff needs. The Fordham Institute (2006) proposes changes to school funding with a focus on Weighted School Funding (WSF). This proposal out of Ohio by a number of signatories provides a new direction in school funding. The authors make the argument the current funding system in Ohio and the country is broken and antiquated. The system was developed during a time when achievement gaps were accepted. Currently, with NCLB and accountability measures for all students, it is necessary to see education at a certain level for all students, which requires a varying amount of resources depending on the student. Therefore, they propose Weighted School Funding (WSF), which is funding allocated by student, and those real dollars will follow the student no matter the school or district (Fordham, 2006). This shift is huge as the funding is currently done by school district.

WSF would change that process to funding the child, based upon their individual needs, to reach a certain level. Funding would not go to the district based upon teacher experience, programs, number of students, etc., but would instead follow the child to any school in any district. This change also matches the trend of students having choice and
finding public schools that meet their needs. The proposal states this method would help with achievement and would allow schools to be fully funded without politics and district interference involved. WSF is already being piloted in certain places throughout the country, but as the article later explains, there are challenges such as accountability and oversight, that will accompany the shift (Fordham, 2006).

More work on changing how schools allocate dollars is done by Miller, Roza, and Swartz (2004) who discuss using a different model for spending dollars inside of individual school districts. The authors explore the concept of shared district resources and explain that through capturing this system in accounting, the full district finance picture may be the best model in districts for an equitable distribution of resources between schools. School accountability and funding of schools have become hot button issues, so it is now more important than ever that schools have access to their share of resources in order to meet the educational demands of their students and accountability measures. The authors use a few different schools to illustrate their point of how the allocation of resources may vary from school to school. They argue that the difference between schools can be great and that it is crucial that schools understand how they account for their shared resources (Miller, Roza, & Swartz, 2004).

Miles and Roza (2002) have also examined intra-district spending habits to reveal in equitable distribution and advocate for changed financial habits within districts. This presentation was the first effort by these authors to advocate for changed spending practices inside of school districts. Instead of simply asking for more money, Roza
(2002) argues that schools need to evaluate their own spending patterns and should tie money to individual schools with student-based budgeting in order to make spending more equitable. This system is diametrically opposed to continually budgeting based on staff and salary averaging, which causes high quality and high paid teachers to flood into the desirable schools. Using the concepts of horizontal and vertical equity, the authors use two school districts as examples of how individual schools are funded in an equitable manner (Miles & Roza, 2002).

The same authors elaborate on the above first study with more work advocating for student-weighted allocations as a solution for inequity in school funding. Miller and Roza’s 2006 work follows the same train of thought of advocating for student-weighted funding, as opposed to traditional staff-weighted funding. This time the authors use the Cincinnati Public Schools and the Houston Independent School District as examples of how shifting to student-based budgeting can create more equity within districts. The authors do acknowledge that the drastic shift in these two districts may not be easily transferred to all districts but that the concept can is important enough for further exploration. The authors explain the difference between the funding styles as well as the methodology of the study. They conclude that in an age of accountability (NCLB) it is important that districts are accountable in their budgeting process that so their individual buildings have the necessary resources to help students have equal opportunities to achieve (Miller & Roza, 2006).
In 2004, Miles and Roza were joined by Ware in another effort dedicated to exploring inequities in spending inside of districts before looking at inequity between districts. The authors begin by making the point that in some extreme cases, like schools in terms of numbers and categories of students within the same district have a 60 percent differential in their resources from central office budget. The article highlights the 1998-2001 reform strategy completed by the Cincinnati Public Schools to transition to a student-based budgeting system to create a more equitable distribution within the district. The Cincinnati Public Schools had a strong accountability system in which teachers and schools were rewarded for student performance. The issue then arose that there were not enough resources to meet the programming demands at the building level. Because of this demand, the district shifted to budgeting based solely on student demand (Miles, Roza, & Ware, 2004).

Their work continues to explain how student-based budgeting works and uses the example of the CPS to explain the process from traditional staff-based funding. The process revealed a logical conclusion, under-performing schools tended to have less available resources. The authors walk the reader through different phases of the transition and share the core principles of student-based budgeting (Miles, Roza, & Ware, 2004).

In 2009, Baker and Elmer explored what they termed “off-the-shelf,” reforms, which were the 65% solution (funding where 65 cents of every dollar goes directly to activities in the classroom) and the 100% solution of Weighted Student Funding (funding
where 100% of available funds go directly to the addressing the child’s needs) (p. 66).
While the authors found no merit or success in the 65% solution, the jury is still out on
the decentralized building approach of WSF. The authors are not willing to support this
method of school funding as a panacea to inequity, especially in urban settings, but would
like to see more research done on the effectiveness of attaching 100% of the funds
available directly to the child. All Baker and Elsner are willing to conclude decisively is
that, “the 100% solution, is a reform that, although not firmly grounded in empirical
support, consists of many separable components that carefully implemented and studied
over time may prove to have some merits” (p. 98).

**Closing Funding Gaps.**

An early quantitative study done by Guthrie, Kleindorfer, Levin, and Stout (1970)
examined the relationship between the socioeconomic status of students in the State of
Michigan and the funding levels of their schools. Essentially, the research question
revolved around whether students with lower socioeconomic status actually received less
resources for their education levels, making inequities in education between different
classes of students even larger. While it is not surprising that districts in communities
with low resources and property valuation would have less to contribute to the local
schools, it was shocking that the money from the State of Michigan was not enough to
equalize. The authors concluded that, “it can be seen that, while low SES districts do
obtain more direct state aid per pupil than high SES districts, the dollar differences are
not great and do not suffice to overcome the advantage of wealth” (Guthrie, et al., 1970,
As the authors examined federal funding, they came to the same general conclusion that not enough money was used to equalize, and therefore, patterns of inequalities were merely propagated (Guthrie, et al., 1970.)

A few years later, Holland and Tweeten (1973) published an analysis of the geographic distribution of schooling benefits. Their model explored, “how much of the cost of common school education should be financed at the local, state, and federal levels,” (p. 64) and how much of a difference would it make if funding were altered based upon expected geographical distribution of public schooling benefits. The authors built their spillover model first upon the assumptions of “ability to pay” and “equality of opportunity,” (Holland & Tweeten, 1973, p. 64) meaning that all areas would first be equalized in funding effort and then in actual resources to create a level playing field for all students. The results of this Oklahoma study are not surprising, which is that some local areas needed to increase their contribution but also that substantial state and federal funds were needed to create an equitable funding model that took into account benefits of schooling and not just the amounts spent on education (Holland & Tweeten, 1973).

The Education Trust (2006) completed a study examining how to close funding gaps in public schools throughout the country. This study is intended to inform policymakers, parents, and educators of the three-tiered gap in funding, which includes issues at the federal, state, and local levels. The article explains how although the achievement gap has received much attention throughout the country, the issues of inequitable funding still persists. It reveals that richer states get more aid to help their
low-income students, that within states, poorer and minority students are shortchanged, and that disadvantaged students inside individual districts receive less money (Education Trust, 2006).

The three analyses in the article elaborate on the inequitable funding. This first analysis of federal funding illustrates how it is unfair to tie Title I money to the state expenditure factor because states that spend more money per student receive more Title I money, essentially rewarding the richer states. Additionally, the author argues that the federal government should increase their spending on education in order to make up for the drastic inequity between states. The second portion shows the results of a 49 state study, which reveals that in 26 of the states in the study, the highest poverty districts received fewer resources per student that the most affluent districts. One of the answers given to this situation is for states across the country to decrease their reliance on local property tax. Finally, the last piece explains how spending inequities exist inside of districts. This inequality occurs because the wealthier schools attract higher paid teachers, causing those schools to invest more money in teacher salaries and benefits. Also, the analysis revealed that low-poverty schools end up with more unrestricted money that is supposed to be in higher-need schools (Education Trust, 2006).

Carey and Roza (2008) also look at closing funding gaps by contrasting funding of two elementary schools to illustrate the problem. This study is similar to the one done by Education Trust discussed previously. It elaborates on how the federal, state, and local finance systems follow a similar pattern of fueling inequity by giving more money
to districts that are already wealthy. The difference is that instead of simply showing the results of the research, the authors use the funding of two specific elementary schools to show the drastic difference. The wealthier school receives over $7000 more per student at all three levels of government creating a difficult problem for the poorer school that must do the same job as the wealthier school (Carey & Roza, 2008).

The authors conclude with a few recommendations for the future. They advocate that the federal government give more aid to low-wealth and also high cost states. A part of this approach is the idea that the government should commit more money to high-need schools on an annual basis. The state solution proposed is to reduce the reliance on property tax and replace it with an increase in sales and income taxes, which can be used to create an equal and higher foundation per student to each district in the state (Carey & Roza, 2008).

Baird (2008) also examines disparities in federal funding of public schools. Her work is another attempt at advocating more spending and commitment on the part of the federal government towards education. The study finds that while in the decade of the 1990s, funding inequity inside of and between states has reduced significantly, the federal government has played little to no role in this movement. The argument is that this trend is unacceptable given the fact that student outcomes and performance are at a higher premium than ever. As with many other sources, this author recommends that the federal government take a more active role in funding its schools and that the dollars help those
In 2009, Driscoll and Verstegen concluded a battle with critics over their analysis of school funding in Illinois. The issue at hand was to what extent the funding model was equitable and adequate. While both sets of authors were in agreement that the funding system in Illinois is not equitable and that a consistent method to analyze school funding in all of Illinois is needed, Driscoll and Verstegen (2009) differed with Mullin and Brown (2009) on how to analyze funding with respect measuring horizontal equity and vertical equity. One example of this argument is differing thoughts on how the state should fund the education of students with varying needs, since it an empirically accepted fact that educating certain students (Special Education, those in poverty) proves to be more costly. While these authors and others differ on the extent of the findings, the issue still remains in this state and around the country that students residing in different areas have different funding opportunities, leaving a chasm of inequality and inadequacy. The authors conclude:

Might all children be afforded an equitable and adequate opportunity? Best practice, empirical analysis, and findings from both of our analyses indicate that “savage inequalities” are present in the Illinois funding system and equal opportunity is abridged. Importantly, for the majority of children at the bottom of the distribution, funding is not only inequitable, but also inadequate (Driscoll & Verstegen, 2009, p. 59).
While this argument is based upon information from Illinois, one can see that this sentiment is shared all over the country and frustrations abound because of the gap in available resources for all students.

**Efficient Spending for Achievement.**

Another area in which there is a significant amount of research revolves around the idea that one of the solutions to the school funding dilemma is to focus on examining how money is spent in schools. There is a group of scholars who study how schools can spend money more efficiently and to better student achievement. Some feel that this step is the first one to reforming school funding, due to the fact that these studies can help to ensure that the money already available is being allocated in an efficient manner.

In 1994, Verstegen argued for effective linkages between school funding and curriculum reform, as well as social agencies. She advocates for a system that provides equal opportunity, which is more easily attained if the funding structure is altered to be coordinated with aligned curriculum, and also if school finance systems are linked with community agencies, dealing with health, welfare, justice, etc. Verstegen describes this “third wave of reform,” as “systemic change to radically restructure all components of the education system in an effort to achieve a high-quality for all students at all schools” (p. 369). This bold goal can only be achieved by redesigning how this country finances its schools and moving away from antiquated models, which are not designed to be aligned to systemic change or provide a quality education, only a minimum education. The thrust of the argument is not about spending more money but reforming how money is spent,
being more aligned to curriculum change, and being efficient by collaboration between agencies with the same purpose (Verstegen, 1994).

Hill of the University of Washington (2008) summarizes the work done by the School Finance Redesign Project, which was begun in 2002 with sponsorship by the Bill and Melinda Gates Foundation to the tune of six million dollars per year. The purpose of the study is to help elected officials better understand school finance and also to explain options of how the available money can be allocated. Legislators continue to ask how much money needs to be spent in order to ensure that all students meet the necessary standards and also how the current money being provided is spent by educators. This interim report explains the research questions, the research strategies, and some preliminary findings. The emphasis of the study is on efficiency, proper use of money on instruction, incentives for educators, accountability with funds, and possible prescriptive solutions (Hill, 2008).

Hill (2008) extends his ideas in further studies exploring how public school systems can spend their money more wisely. He makes an important point in the debate of school funding. He explains that public school funding has evolved over time in a non-systematic manner. This evolution now causes educators issues because schools are expected to provide a high level education for every student, but Hill believes many educators are not even sure how the money is being spent. His work illustrates how schools can carefully track spending, the purpose for dollars being spent, and the success of individual programs. The author advocates for testing the quality of programs and also
for experimenting with new instructional ideas. Hill is not against funding schools with further resources but thinks it is necessary for schools to prove that they are using the funds efficiently and that no further growth can happen without further funds (Hill, 2008).

Hill makes the point that we are still unclear on how to properly educate all children, especially those that are disadvantaged. Additionally, it appears public schools are not effectively using available funds to help all students, as many cannot even track exactly how the current funds are utilized. Also, Hill argues that schools are bound by a traditional format of using available funds without an emphasis on regular analysis of program success and innovation for drastically new educational programs. The author does not support charter schools as the answer but does explain that they play a role in helping with experimentation or bringing new ideas to the forefront. Hill emphasizes that research and development and creating a structure where superior methods force overall change are important to the future of public schools (Hill, 2008).

Podgursky (2008) also summarizes research ideas from a conference after a new adequacy lawsuit in Missouri. He explains some of the thoughts that came from the “From Equity to Adequacy to Choice” Conference that took place with the newest round of school finance litigation in Missouri. The premise of the conference and article was to set the stage for further reform in school funding but by being mindful of efficiency. School litigation in order to solve adequacy and equity issues may have brought more money to schools, but the achievement gaps have not been closed. This author and the
other authors he introduced would like to break the cycle of litigation over school funding and search for alternative answers to the problems now facing public schools (Podgurksy, 2008).

Greene and Trivitt (2008) take a different look at efficiency by examining the impact of judicial decisions regarding school funding on test scores and graduation rates. The authors of this study decided to examine how student achievement reacted to increased spending per pupil, due to litigation over school funding formulas, as well as increased public awareness. They processed information from 48 states and found that although spending had almost doubled in the last three decades, graduation rates and test scores had not risen. This study corroborates that just spending more money will not close achievement gaps or raise student scores. More is needed than just extra dollars, although many would agree that at least an adequate education should be provided. The authors also make the point that even though states and finance systems have gone through litigation, these steps do not always equate to formulas being fixed or even extra money being spent. At times, these suits have no effect, as legislators simply ignore the court decision. Due to their findings, these authors advocate a fundamental change in the structure of school systems, instead of litigation and increased spending (Greene & Trivitt, 2008).

Guthrie (2008) makes a similar argument against litigation for efficiency reasons. His work also advocates that student inputs are not improving results in student outputs. Additionally, the author feels that school reform movements are missing the boat by
focusing on curriculum and standards and are distracted by equity and adequacy lawsuits. The goals of K-12 education are noble and also well funded but realignment is needed to create a new plan that is matched with a different allocation of resources geared toward student achievement. Critically, the author argues that money has paid for increased teacher salaries, as well as more labor, but the achievement gap remains. This author agrees with others such as Hill that resources should be tied to students, accounting practices should be transparent, grand experiments should be attempted, and incentives/accountability should be used with educators. The author finishes with issues that can further hold back reform. For example, the patchwork of federalism and a lack of central vision throughout the country can continue to be huge obstacles (Guthrie, 2008).

Finally, Rothstein (2001) also evaluates how money in the public schools is being spent. His work uses analysis of the Economic Policy Institute to dispel the concept that public school funding has increased massively without the desired results in achievement. The author explains that inflation figures and increased services provided by schools reveal a picture that illustrates much less spending than is thought to be the case. Going back to the data from 1967 until the present, the author explains that spending has increased by 62%, but most of that money has gone into programs to educate or serve the increased needs of the handicapped, ESL students, and students in poverty. Therefore, people should not expect to see massive achievement gains when the money has not been targeted to these areas. Modest spending on targeting achievement has been met with
modest gains in achievement. The author finishes with the statement that “We should not be deterred by the myth of spiraling costs. America's schools are doing well with what they've truly been given” (Rothstein, 2001, p. 63).

**Pragmatic Studies.**

There is a small body of literature that is similar in nature to this researcher’s pragmatic study dedicated to working toward a school funding solution in Ohio. These studies attempt to capture perspectives on the issue or to lobby for change in the funding formula. Either way, the goal is close the ultimate goal of this research proposal.

The KnowledgeWorks Foundation (2002) funded a survey of Ohio adult attitudes about a number of education issues including school funding. This survey was completed in 2002 using surveys and phone follow-up interviews. A point of emphasis was discovering the attitudes of Ohioans regarding the pending *DeRolph* case and school funding in general. To highlight a few of the findings, school funding has increased but over half of Ohioans thought it had stayed the same or decreased. People aware of the increase in funding did not believe that is the only answer and want to see increased performance. Many Ohioans believed increased funding should go towards better teacher/student interactions, such as smaller class sizes and better-trained teachers. Over 80% of Ohioans thought of funding K-12 education as a major priority of the state. On the other hand, a majority of people did not want increased taxes, and some were suspicious of how schools were spending money (KnowledgeWorks, 2002).
Even though there had been much media coverage of *DeRolph*, only around 50% of people were aware of the case, and of those people, very few felt they knew much about it. Over 60% responded that they thought that the Ohio State Supreme Court should be involved and that the court would have a positive impact. Over 50% thought that lottery money and sales tax increases should be used to further fund public schools (KnowledgeWorks, 2002).

School finance experts King, Swanson, and Sweetland (2005) explored adequacy goals and proposed a method for the state funding formula to reach these goals. Their collaborative effort explores the idea that ultimately adequacy is the solution to vertical equity (the unequal treatment of unequals), illustrates how these issues have been treated in judicial reviews, and discusses methods for determining how to fund a level of education that is adequate. Their work also explains problems that might be encountered in low achieving districts even after adequate resources have been provided. Finally, the authors conclude with how a state funding formula could provide an adequate education for all students (King, Swanson, & Sweetland, 2005).

Additionally, these authors discuss multiple approaches to adequacy, including the econometric, the successful schools, professional judgment, and whole-school reform. The authors also describe some of the inequities and inefficiencies that have been created by the fact that the U.S. has no overall system of public schools and has allowed the states to control this function. The authors advocate a solution that calls for funding to be tied with school performance and that states take on the constitutional responsibility of
setting minimum and maximum standards of funding to reduce discrepancies. This system would call for much increased state funding of local schools and adjusting to the needs of individual districts and students. This fundamental shift would allow districts to be providers of education and conduits of resources, rather than being fund-raisers (King, Swanson, & Sweetland, 2005).

A final study (or more precisely a movement for a constitutional amendment of the Ohio ballot) occurred in 2007 and was called "Getting it Right for Ohio’s Future." The website for the amendment spells out the constitutional amendment that was proposed but failed to make it on the ballot in November of 2007. The purpose of the amendment was to fix the unconstitutional funding formula, as ruled in DeRolph four times, while easing the burden of local property taxes. The proposed change would require local districts to levy 20 mills (versus the current 23), while forcing the legislature to analyze how much a high quality education would cost per student. The difference between the local amount and the estimated cost would be covered by state dollars. Additionally, it would allow those 20 levied mills to grow along with the value of the assessed valuation of the local community. This change is crucial to counteract HB 920, which was passed in the 1970s and froze the value of assessed valuation with respect to money levied for schools, thus forcing schools to rely on continual levies. Additionally, the proposal would add another layer of accountability to ensure achievement and efficient use of funds. This amendment failed to garner enough support to make it on the
ballot, but one can see a shift in strategy from litigation to using popular support to force the issue (Getting it Right, 2007).

**Race Analysis.**

A newer and burgeoning area of school funding studies uses the concept of race and racism, as a basis of analysis for school finance issues. Many of these researchers use Critical Race Theory (CRT) to argue that the current systems that remain are still operating due to racism in different states or across the country. The argument in these studies takes the stance that reform will not occur, unless this country takes a hard look at racist views and removes this factor from school finance reform. The purpose of this research is to give voice to those people who have been marginalized, due to their race.

Aleman (2006) is one author to tackle school finance reform, using Critical Race Theory to harshly portray the discussion on school finance in Texas. He studied politically active superintendents in Texas, as they advocated for a more equitable system, while representing their Mexican American constituency. The funding system present in Texas in 2003 was referred to as “Robin Hood,” and portrayed by prevailing white majority in the Texas legislature as, “un-American” because the system was “stealing from the rich to give to the poor” (p. 115). While most of the Superintendents studied were not willing to declare inherent racism as a problem with school funding in Texas, and the author summarized that the “Robin Hood” was not the culprit or the savior, he did conclude that the funding method was part of a structurally and
institutionally racist system that denies communities of color an equal opportunity for education and continues cycles of inequity and discrimination (Aleman, 2006).

In a follow up study on the same issue, Aleman (2007) once again used the CRT framework to examine the school funding system in Texas. Using an analysis of 2002-2003 school district data, Texas Supreme Court opinions, and Texas Educational Code, the author once again illustrates that the state funding system disadvantaged majority Mexican-American school districts in operation, maintenance, and facilities funding. The analysis mostly revolves around the state’s continued reliance on property tax, which hurts students from poorer areas (which is correlated to high minority populations) and the fact that the TEC (Texas Educational Code) is limited in any type of equalized funding measures (Aleman, 2007).

In another Critical Race Theory study of school funding, the researcher explored racism against black children in a West Coast school district (Vaught, 2009). In this scenario, a study involved an urban district where money was misplaced and viewed how race impacted the struggle over the fiscal structure and governance. The analysis showed that race was a form of control and that there were glaring disparities in achievement and schooling between white and black children. The district used DSF (Differential Student Funding) to achieve the appearance of attaching more money to higher need students (minority and poverty being major targets), but the money was distributed in a decentralized manner to schools that still used pre-existing systems of inequality, thus
using “legitimation” to justify a system as fair, when it was in fact only deepening inequity and the achievement gap (Vaught, 2009, p. 564).

Baker and Green (2009) also examined the role of race in school funding but not within the context of CRT. Their goal was to analyze school funding over time in multiple states to see the correlation of racial composition, specifically black students, of schools and the level of funding needed for students to achieve at competitive levels. Their findings revealed strong evidence that high black concentration schools required higher costs to achieve constant outcomes and that with majority black school districts, the costs are significantly higher. The authors conclude:

The findings herein present policymakers with an intriguing tradeoff--implement strategies to improve racial balancing across districts such that financial resources might be more evenly spread across districts, or retain segregation and allocate much larger sums of money to predominantly black school districts (Baker & Green, 2009, p. 318).

This choice is an interesting one, and the issue is most certain to draw more attention as schools and the nation continue to examine closing the achievement gap.

**School Funding Overview.**

Over the past four decades or so, there have been many efforts to analyze school funding throughout the country. Researchers have completed studies to capture issues with public school finance throughout the country with the purpose of summarizing the situation and also looking for possible methods of reform.
Swanson (1965) focused his efforts in this study on a missing element in theories pertaining to school finance on a national level. He argued that regionalism is a critical part of comparison between the costs of educating students in different places across the country. Essentially, the varying costs of education are directly related to the wage market of the state and region, meaning, “In making fiscal comparison of school systems located in two or more regions, adjustments must be made for variations in school costs” (Swanson, 1965, p. 52). Therefore, states and regions unintentionally make their own adjustments in providing an adequate education and trying to completely equalize federal funding would actually penalize high-income areas.

In 1969, The Director of the Bureau of Research, McLure, summarized the major issues in school finance with an eye towards reform and serving an ever-growing population of school children. He argued that the educational needs of students and society, governance, and the ecological characteristics of the population are all key components and have to be resolved in conjunction to have a true effect. McLure (1969) advocated for adequate support of education by the people of this country, due to its importance, and urged that it be seen as a pivotal mission, such as spending on national defense.

Frentz (1975) focused her efforts on examining equity in educational opportunity at the national level. She discusses the many components of education need and costs, while advocating that federal intervention is the answer to achievement of equity across the country. Due to the difference in volume of students and resources available to
educate those students, Frentz argues that any equalization program must start with intervention from the federal government to close these discrepancies. The author concludes her work with models of possible formulas that the federal government could use to provide equalization funding to all states (Frentz, 1975).

Jones (1978) examined the argument that property tax as a form of school finance should be equalized. His specific analysis revolved around the G.T.B. (Guaranteed Tax Base), which was an equalization system. After looking at other studies and his own findings, Jones concluded that equalizing the property tax across districts would not be effective but that creating interpersonal equity for students would be crucial. The findings showed that, “the G.T.B. fails to consistently help those it was designed to help. It does not consistently help high- or low-income people, cities, suburban or rural areas, fast or slow learners, or schools that are more or less effective” (Jones, 1978, p. 111). This conclusion supports other arguments for funding students based upon individual needs versus funding equalization attempts.

Berne and Stiefel (1979) completed a seminal study using data from 20 states, which looked at the value judgments embedded in decisions on how to deal with inequity in school funding systems. The authors created a four-component framework upon which to construct equity standards and discuss the conflicts that arise when other methods are used to view equity. They focus on the questions of “who, what, how, and how much,” (p. 15) and analyze these equity questions with the primary value of a student first mentality. Their quantitative study results showed that there were many
contradictions between the states in the way equity was measured and that further study of the actual values behind reform need to be studied in collusion with the school finance reform movement (Berne & Stiefel, 1979).

In 1984, Holmes and Matthews expanded on Swanson’s work and concluded a study of regional cost adjustments in funding formulas to explore the impact of this variable. Based on their evidence, the authors also advocated against the use of cost adjustments in state plans, due to the fact that they were shown to have the opposite of the desired effect and even exacerbated inequity in funding. While the authors do not dispute that different school districts pay varying amounts for resources and doing business, they question the causes of the cost differential and also the impact. Holmes and Matthews (1984) conclude that, “differences in the cost of resources may operate to reduce inequities in the distribution of state funds” (p. 85) and that adjusting for these differences could actually increase inequity. The reason being is that the highest costs paid by districts are associated with teacher salaries, which tend to be in and around large urban areas, and those areas tend to have larger revenue per pupil potential in the first place (Holmes & Matthews, 1984).

Verstegen (1990) tackled the concept of wealth neutrality and how this principle has played out in state financing schemes to create equality of opportunity. In her analysis of studies and litigation in the previous decades, she is not positive on the change that has been incurred by DPE (District Power Equalizing) schemes and harshly criticizes these changes by stating they have, “gone awry and contribute to an unjust settlement
under the law” (p. 229). Instead, the author advocates a new take on wealth neutrality, which would state that the quality of a child’s education would not be a function of anything other than the wealth of the nation versus the current concept of the state (Verstegen, 1990). Her conclusion implies a broader role by the federal government in ensuring adequacy and equality of opportunity for students across the country.

Augenblick (2001), a national expert on school finance, summarized the status of school funding in the new millennium with a nod to the past and a look to the future. His data reveal that around half of school funding dollars are provided by the states with the other half being provided by the localities, even though the state controls how this occurs with the state funding formulas. Spending has increased significantly since the 1950s because of the services schools are now expected to provide and has most recently (since the 1990s) been linked with accountability measures as well (Augenblick, 2001).

Augenblick begins with figures to explain the complications of our system of public education highlighting the sheer number of students (many with special needs either economically or developmentally), teachers, facilities, and resources needed to run this huge operation. His research illustrates how states have over time increased their aid to schools and highlights the major components of most state foundation funding systems, which typically include a base amount given per student to each school that is sensitive to the needs and wealth of that district. There is concern in many states about over-reliance on local property taxes, but the alternative is to increase sales and income taxes, which already make up the general fund of the state. Augenblick states that a
strength of school funding is the ability to generate enormous sums of money, although equity and inefficiency issues remain. He concludes with listing major issues facing education finance today, which are listed as accountability, teacher pay, funding special education and at-risk students, paying for facilities, and charter schools (Augenblick, 2001).

Using a comprehensive, 50 state survey of 2006-2007 school finance programs, Jordan and Verstegen (2009) provide an overview of the findings, which is more positive than Verstegen’s scathing review in 1990. Their summary of the results reveals that states have increased their support for capital outlay, the use of foundation programs, and state-level accountability programs, causing states to further differentiate based upon the needs of students (Special Education, ESL, Low Income, etc). With regard to foundation programs, it appears there is a trend developing that states will fund students, based upon what the state deems is an adequate education versus a minimum amount. In summary, a synthesis of the data illustrates that states may be responding to decades of litigation by taking a more active role in shaping of the public school finance programs (Jordan & Verstegen, 2009).

In another recently concluded longitudinal study of school finance litigation throughout the country, Glenn (2009) explored the correlation between litigation and actual student achievement in early childhood. Interestingly enough, Glenn found that in areas where school funding adequacy litigation occurs, especially when the plaintiffs prevail, there is a positive impact on test scores from students with a low SES. While this
difference tends to be fairly small, it is apparent. The conclusion is that adequacy litigation can be part of a comprehensive reform strategy but that major educational reform and significant gains will not be achieved by using this one technique (Glenn, 2009).

**Gap in the Literature**

In conclusion and as articulated in the introduction, there is a gap in the available literature, which this researcher’s study would begin to fill. The school funding dilemma in Ohio and nationwide is as pertinent now as it has ever been. Meanwhile, there has been no study that captures the individual voices of experts in school funding in Ohio, whether those voices are superintendents, treasurers, professors, organizational leaders, or those in the private sector. People in these positions are the professionals who deal with the funding formula in the state of Ohio and have the most solid knowledge base. What is lacking in the research is a cohesive study, which analyzes the expert opinions of recognized authorities on school funding in Ohio. This statement is not to say that these expert personnel have not been consulted or completed individual studies or even been consulted by the State of Ohio to perform research or participate in task forces to address the DeRolph decisions, but there is not a plethora of scholarly works dedicated to clarifying their position on the issue. As stakeholders and sources of knowledge in the funding process, it is this author’s belief that their perspectives and ideas play a crucial role in explaining the dilemma of public school funding in Ohio (issues schools face) and
may also contribute to a future solution (ideas on reform), which ties directly to the initial research questions for this study
Chapter III

METHODOLOGY

Problem

As explained in the introduction to this study, Ohio has created a perfect storm with regards to its school funding system. The state has an unconstitutional method of financing its school districts (DeRolph I, 1997; DeRolph II, 2000; DeRolph III, 2001; DeRolph IV, 2001), which arguably creates inequity of opportunity for school children based upon an over-reliance on local property taxes. Additionally, the state is shrinking in population, which is now coupled with a declining economy forcing school districts to make budget cuts when they are not able to pass levies (Candisky, 2008). While this documented conundrum continues to fester and public schools continually slash budgets, the Ohio executive and legislative branches attempt to remedy the problem but without enough cohesive input from a large group of shareholders – practitioners in the field of education with expertise in school funding. This void in the research and the problem solving process is the area this work seeks to address by gathering data from recognized school funding experts across the State of Ohio.

Purpose

The intent of this pragmatic, interpretive, qualitative study based upon the tenants of grounded theory is to contribute to the understanding of the Ohio public school funding situation and possibly contribute to a solution by providing ideas for a reformed model. Exploratory interviews were used to probe areas of the school funding formula with 11 school finance experts at different school systems, universities, and/or
organizations throughout the state. These superintendents, professors, and organizational leaders were intentionally and purposefully chosen using a “theoretical sampling” if possible with a “snowball” method of selection of available experts as a secondary method of sampling (Hesse-Biber & Leavy, 2006, p. 73) but with the purpose of interviewing practitioners and scholars who are considered experts in the field of educational finance. The goal was to describe the experiences, perceptions, and ideas present in these expert opinions with regards to the funding formula. Through this data collection and analysis, the hope was to generate recommendations for possible solutions to this well-established dilemma by addressing the research questions for the study, which were:

(1) What issues do school districts encounter related to the current funding method?

(2) What ideas do knowledgeable scholars and practitioners have on how this funding model can be reformed to finance schools in an improved manner that meets the “thorough and efficient” clause of the state constitution?

**Qualitative Paradigm**

Before delving too deeply into the methods of this project, it is first necessary to briefly discuss the concepts of positivism, postpositivism, and constructivism. The purpose of this summary is to explain these paradigms, the history involved, and relevance to this work, which can be classified as a hybrid postpositivist/constructivist approach influenced by the tenants of pragmatism or a desire to solve a defined problem.
Qualitative research began its path to significance in the 1920s and 1930s with the establishment in sociology by the “Chicago school” for the purpose of studying human group life, but by the 1960s, quantitative scholars had relegated qualitative work to a lesser status. The qualitative response was to highlight the “humanistic, virtues of their subjective, interpretive approach to the study of human group life” (Denzin & Lincoln, 2008, p. 2). The criticism of qualitative research by “hard” scientists is that it is “soft”, meaning unscientific, subjective, and exploratory (Denzin & Lincoln, 2008, p. 10). These scientists consider themselves objective and value-free or are positivists who believe qualitative researchers write fiction with no way of verifying the truth (Denzin & Lincoln, 2008).

“In the positivist version it is contended that there is a reality out there to be studied, captured, and understood, whereas the postpositivists argue that reality can never fully be apprehended, only approximated” (Denzin & Lincoln, 2008, p. 14). Postpositivist researchers understand they cannot be completely certain about their claims but build evidence to support a theory (Hesse-Biber & Leavy, 2006; Creswell, 2009). Social constructivists moved the worldview to an even more abstract place based upon the assumptions that people seek understanding of the world in which they live and that meanings are constructed by humans as they engage with the world; therefore, meaning is social and stems from human interaction (Creswell, 2009; Hatch, 2002). Hatch (2002) describes the postpositivist ontology as believing that, “reality exists but is never fully
apprehended, only approximated,” whereas constructivist ontology would state, “multiple realities are constructed” (p. 12).

When looking at the entire research process, there are a number of aspects and activities that define qualitative research. “The gendered, multiculturally situated researcher approaches the world with a set of ideas, a framework (theory, ontology) that specifies a set of questions (epistemology) that he or she then examines in specific ways (methodology, analysis)” (Denzin & Lincoln, 2008, p. 28). The constructivist paradigm views the world with a relativist ontology (not one set reality), a subjectivist epistemology (researcher and participant co-create understandings), and a naturalistic repertoire of methodologies, where findings are usually presented in terms of grounded theory or pattern theories. Quantitative and positivist criteria of internal and external validity are replaced with terms like trustworthiness and authenticity (Denzin & Lincoln, 2008; Guba & Lincoln, 2008). Reality consists of stories or produced understandings by individuals in their own settings, not a defined, clear answer waiting to be found, where a researcher works to create a strong argument to support his knowledge claim (Hesse-Biber & Leavy, 2006; Hatch, 2002).

In the postmodern era, we have the challenge of creating a credible study without the promise of delivering the ultimate truth. This dilemma leaves qualitative researchers with the challenge of searching for a method and process of interpretation, which can be used to illustrate a slice of reality. Guba and Lincoln (2008) state:
The first, borrowed from positivism, argues for a kind of rigor in the application of method, whereas the second argues for both a community consent and a form of rigor—defensible reasoning, plausible alongside some other reality that is known to author and read—in ascribing salience to one interpretation over another and for framing and bounding the interpretive study itself (p. 272).

The task of the researcher is to present the voice and multiple identities of the participants and co-creators of knowledge, while also partaking in reflexivity or critically reflecting on the self as researcher or “human as instrument” (Guba & Lincoln, 2008). Rubin and Rubin (2005) articulate a responsive interviewing method that acknowledges that meaning is socially constructed, relies on interpretive constructionist philosophy, and advises that the researcher must be aware of self and possible biases.

The only complete truth or reality is that all of these notions, theories, and paradigms have influenced this researcher’s work. In shaping the lens, this author has combined and synthesized the above concepts to create and justify the qualitative approach, which is evident in upcoming portions of this methods chapter.

**Grounded Theory**

Given this study’s emphasis on using the tenants inherent in grounded theory, it is also important to build the assumptions and characteristics included in grounded theory. This discussion defines some of the existing literature on grounded theory and includes ideas present in the works by crucial scholars in the field, such as Glaser, Strauss, Corbin, and Charmaz.
Grounded theory first came into the research spotlight in 1967 with Glaser and Strauss’ book, *The Discovery of Grounded Theory* (Goulding, 1998; Hatch, 2002; Merriam, 2002). Their purpose was to explain, “how the discovery of theory from data – systematically obtained and analyzed in social research – can be furthered” (Glaser & Strauss, 1967, p. 1). While elaborating on the grounded theory method, they also detail a strategy called the general method of comparative analysis, which is to constantly compare data collected with material already under analysis. The goal of this research is to generate theory from data that is a “fit” with the data, meaning the categories must be applicable and illustrated by the data, and “work” with the data, meaning categories must be relevant to and be able to explain the behavior (p. 3).

Grounded theory is similar to other forms of qualitative research in that capturing the experience from those who have lived it, the investigator is the primary instrument of data collection and analysis, and the approach is inductive (Charmaz, 2000). Creswell (2009) describes it as, “a strategy of inquiry in which the researcher derives a general, abstract theory of a process, action, or interaction grounded in the views of participants “(p. 13). The whole purpose of grounded theory is the building of substantive theory or theory that is “grounded” in the data through inductive methods of discovery and development whereby one begins with an idea and allows it to emerge, instead of attempting to prove a theory (Strauss and Corbin, 1990, p. 23).

It appears there are some misconceptions in the world of scholarly research when applying grounded theory. While many researchers may claim their work is “grounded”
in the data, a study is not “grounded theory,” unless the analysis is completed in a well-defined manner, as detailed by scholars such as Glaser, Strauss, Corbin, and others (Hatch, 2002). Some scholars believe that too many projects are based on the premise of grounded theory without regard for its defined methodology and procedures (Goulding, 1998).

The task of building a theory from data can appear daunting, but the purpose is not to create an all-encompassing theory by the conclusion of research. Substantive theory is not defined as creating an overall theory to explain everything but simply theory generation about some facet of life (Charmaz, 2000). While Glaser and Strauss (1967) state that grounded theory can be used to generate either a substantive (empirical area of inquiry) or formal (conceptual area of inquiry) theory, both types fall in the middle range between a “minor working hypotheses” of typical daily life and “all-inclusive” grand theories (p. 32).

Data in grounded theory are mostly comprised of interviews and observations (Merriam, 2002), but Glaser and Strauss (1967) originally stated that an array of sources could be used, including, documentary materials (letters and speeches), literature, and past research. Data collection is characterized by theoretical sampling and the constant comparative method (Creswell, 2009). This process means that the researcher “jointly collects, codes, and analyzes his data and decides what data to collect next and where to find them, in order to develop his theory as it emerges” (Glaser & Strauss, 1967, p. 45). A researcher first chooses the sample based on relevance and fills any gaps by returning
to the field to collect more data to work to complete the picture (Charmaz, 2000). Data collection and analysis occur simultaneously, as the researcher constantly compares new data with existing data and the categories that she feels are beginning to emerge.

With regard to data analysis, Strauss and Corbin (1990) explain that open, axial, and selective coding, along with memo writing are the tools that researchers use to develop categories, which become the basis for theories. Although this prescriptive approach by Strauss and Corbin (1990) helped to make grounded theory more popular among researchers, it no longer has its initial open-ended character and can be seen as an attempt to fit the tenants of positivist science within a postpositivist framework of credible research (Charmaz, 2000). Strauss’ (1990) later version of grounded theory, “has been reworked to incorporate a strict and complex process of systematic coding,” of which Glaser was none too impressed and, in fact, highly critical of Strauss distorting the original premise of their original 1967 collaboration (Goulding, 1998, p. 52).

That criticism aside, the more recent version of grounded theory does give researchers a more formulaic approach when conducting data analysis. Essentially, Strauss and Corbin (1990) have provided a framework of which researchers can make use, instead of blindly finding their own way through coding. Regardless of the argument of how prescriptive an approach one is recommended to take, Glaser and Strauss (1967) originally meant to, “seek in this book to further systemization of the collection, coding, and analysis of qualitative data for the generation of theory” (p. 18). Grounded theory is
a structured and systematic approach to qualitative research, no matter the exact style of which the researcher subscribes.

**Methods**

Viewed through a pragmatic lens, this inductive and interpretive qualitative study based upon grounded theory seeks to describe the perspectives and ideas of school finance experts regarding the potential issues with the state funding formula in Ohio and possible solutions to this continuing dilemma (Creswell, 2009). The remainder of this chapter describes the various aspects of the study, so that the design is transparent and supported by scholarly qualitative literature. Credible studies are those that demonstrate this quality through being completely transparent in the process by which the data are collected and analyzed (Rubin & Rubin, 2005).

**Research Questions.**

The over-arching research questions that guide this study are:

1. What issues do school districts encounter related to the current funding method?
2. What ideas do knowledgeable scholars and practitioners have on how this funding model can be reformed to finance schools in an improved manner that meets the “thorough and efficient” clause of the state constitution?

The researcher seeks to learn more about the areas and aspects of the current funding method that have persistently made it a source of criticism, sparking a desire for reform from school systems and lobbyists across the state. Through increased understanding, the
goal is to offer suggestions for administrative and governing practice with the possibility of a reformed funding model.

**Data Sources.**

The interviewees or participants in this study are the gatekeepers of the site or school districts. This term “gatekeeper” implies that the researcher needs the permission from participants to enter their setting and conduct the interviews, which will require submitting a written proposal on the topic of the study to these key stakeholders (Creswell, 2009, p. 178). The plan was to interview purposefully selected superintendents, treasurers, professors, and organizational leaders. Qualitative studies tend to have a small but “purposive” sample to glean an in-depth understanding of a question or problem (Hesse-Biber & Leavy, 2006, p. 70). The sample includes people in these positions because “interviewees should be experienced and knowledgeable in the area you are interviewing about” (Rubin & Rubin, 2005, p. 64). When generating theory (in this case, suggestions for a funding model) by comparative analysis, it is necessary to analyze a “multitude of carefully selected cases, but the pressure is not on the (researcher) to ‘know the whole field’ or to have all the facts ‘from a careful random sample’” (Glaser & Strauss, 1967, p. 30). No one is more knowledgeable about school funding than those recognized experts who research the field or use the funding formula on a regular basis.

While the researcher followed a general plan of the type of people to be selected in the sample to be interviewed, the nature of the study dictated researcher flexibility.
Grounded theory calls for “theoretical sampling,” which is defined as “the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyzes his data and decides what to collect next and where to find them, in order to develop his theory as it emerges” (Glaser & Strauss, 1967, p. 45). Therefore, the exact number of participants and the specific people were not known until the data collection and analysis began. As information was collected, patterns emerged, and the data directed that the researcher find other people whom there was a need to interview based upon the data and their relevance to the developing concept of a reformed funding model. The data collection phase did not conclude until “theoretical saturation” was reached, which “means that no additional data are being found whereby the (researcher) can develop properties of the category (Glaser & Strauss, 1967, p. 61). Essentially, the author continued to interview and analyze until no new information was being added to the existing codes and categories. A perfect example of this saturation occurred when the researcher continued to conduct interviews and analyze data but without adding new open codes to the existing code book. This sign of saturation meant that the time had come for data collection to close and to focus on data analysis.

There are also two types of written documents that were used in the study, which were used in support of the primary data source of expert interview transcript data. These included the financial documents of any school district’s superintendent or treasurer who participated in the study and any state level task force reports which pertain to school funding. The specific financial documents are the SF-3, PASS, and the Five Year
Forecasts of each district, which allow one to research each district prior to the interviews, but also provide written materials on financial specifics during the interviews. On a different note, the information in these documents also provided another tool for the trustworthiness process, due to the fact that one can use these hard data as part of triangulation or using two or more different data sources to view the same research question (Hesse-Biber & Leavy, 2006). More specifics on this process are provided later in this chapter.

**Definitions.**

Certain technical terms dealing with the Ohio funding formula for public schools need to be defined. Additionally, the most current, fully operational school funding formula will need to be laid out to make this study one that is understandable for a larger audience. While this next section is not a complete definition of how Ohio’s funds its schools, it establishes a basic format and explanation of vocabulary that is necessary to provide a framework for research and common language in interviewing school funding experts.

Prior to 2009, the last established school funding formula in Ohio was based upon a building block model (although we were in a slow transition to the Evidenced Based Model, which never fully occurred, at the time of research). The two main categories were the uniform base cost (basic amount provided by the state per pupil) and then the variable categorical costs (other factors that take into account unique needs of the district). The uniform base cost consisted of both the base cost formula amount and the
base funding supplements. The variable categorical costs included all of the following:
Cost of Doing Business Factor adjustment to the case cost, additional Special Education
funding, additional Career-Technical Education funding, additional Gifted Education
funding, Poverty Based Assistance, pupil transportation, teacher experience and training
adjustment, other adjustment and guarantees (such as Gap Aid). It is far from a simple
equation, but the key is to understand base cost funding because this portion of the
formula averaged 80% of total school funding. The base cost number used in the state
funding formula in FY 2007 was $5,403 (LSC, 2007).

**Total Base Cost** = per pupil base cost * ADM (Average Daily Membership of the
school district) * Cost of Doing Business Factor + Per Pupil Base Funding Supplements

**The Total Recognized Valuation** (assessed and taxable amount of value of
property) * 23 mill Charge-off (amount expected to contributed at local level)

**State Base Cost of Funding** = Total Base Cost – (TRV * .023)

**The Local Share Percentage** = (TRV * .023) / Total Base Cost

**Average Per Pupil Local Share** = State Base Cost of Funding / ADM

A mill is simply a tax rate that is defined as one-tenth of a penny or .001. How
much money a mill raises in any school district depends upon the assessed valuation of
the property in that district. The taxable value of property is only 35% of the actual
value.

**SF-3** (PASS under OEBM) is a form used by the Ohio Department of Education
to detail state and local contributions of Ohio basic education model cost.
Cost of Doing Business Factor is multiplier in the formula, which increases the base cost formula for every district, as it accounts for the average weekly wage in the county and all contiguous counties.

Gap Aid is a term used to describe the money given by the state to ensure that every district has the full amount of state and local revenues determined by the Ohio education model when the amount of local tax revenue does not meet the minimum threshold.

Parity Aid was established in FY 2002 and is designed to narrow the disparity in local enhancement education spending above the state-defined basic education level.

Tangible Personal Property Tax is a tax on businesses and taxes items such as machinery, inventory, equipment, furniture, etc. It will be phased out by FY 2013, if not sooner.

HB 920 was enacted in 1976 and limits inflationary revenue growth from existing property. It is a reduction factor, which limits the amount of actual money paid in millage for education through taxation. This bill also limits a district’s operating tax rate from falling below the 20 mill floor.

Inside Mills are not subject to tax reduction factors like HB 920.

Charge-off Phantom Revenue is the gap between the local share assumed by the formulas and the amount of revenue collected by a district and was eliminated by the charge-off supplement (gap aid) (LSC, 2007).
The caveat to all of the above statements is that Governor Strickland and the Ohio State Legislature passed HB 1, as of July 2009, and other legislative changes have continued to modify this basic formula. HB 1 took into account a new funding model called Ohio Evidence Based Model. The concept behind this new funding model was that all schools would be funded in a manner deemed fit with the myriad components defined by the legislature and supported by research. The problem is that Ohio still does not have the resources available to fund schools in a manner they would like. Therefore, the funding model was supposed to change, but how long this process would take and exactly how it impacted schools remained to be defined. It was estimated that the phase-in process might have taken up to 10 years with a culmination in 2019.

With the election of John Kasich as Governor of Ohio on November 2\textsuperscript{nd}, 2010, this transition to Ohio EBM will never occur. Also, certain categories, such as Tangible Personal Property (TPP) Tax and Cost of Doing Business Factor, are now extinct or in the process of being phased out completely or replaced. Other taxes, such as the Commercial Activity Tax (CAT), which taxes gross receipts over $150,000 for all businesses with revenues going directly to the state, has replaced the TPP further complicating funding issues. The CAT was born in 2005 in HB 66 as part of the process to make Ohio more competitive for businesses to operate (Ohio Department of Taxation, 2011). These issues are discussed at length in Ch. 4.
Situating Self.

As the researcher, I am an instrument in this research process and must be clear about my position in the study, as well as the procedures involved. As Rubin & Rubin (2005) explain, “rather than pretend that interviewers come into the situation with no biases and can listen to answers without sifting them through their own experiences and cultural lenses, the responsive interviewing model argues that researchers need to continually examine their own understandings and reactions” (p. 31). “Reflexivity forces us to come to terms not only with our choice of research problem and with those with whom we engage in the research process, but with our selves and the multiple identities that represent the fluid self in the research setting” (Guba & Lincoln, 2008, p. 278).

Reflexivity is a process where a researcher recognizes and analyzes his or her own background and assumptions (Hesse-Biber & Leavely, 2006). It is crucial to the integrity of the process that I view my own lens for this project and disclose my subjectivity to the readers (Peshkin, 1988).

Essentially, I underwent an introspective process of being the researcher and had to monitor my thoughts and actions when acting as the instrument of data collection. The main instrument for this process was the use of a research journal and reflective practices in order to continually examine my position as well as my responses to the information provided by the participants. As acknowledged before, I am an administrator in a public school district, have been in education for 11 years, have served on an independent
professional association in the capacity of representing teachers in the negotiation process, and wish to see the state funding formula dilemma resolved. This desire for resolution shaped my pragmatic lens and approach to the entire study, which was to shed further light on the school funding situation in Ohio and help contribute to possible reforms.

I believe that my research is grounded in a reality of social, political, and historical context. The established problem of school funding in Ohio and a desire to contribute to solution is what drove this study, giving my research a pragmatic slant. As Creswell (2009) explains, “there is a concern with applications – what works – and solutions to problems” (p. 10). These fundamental assumptions shaped the rest of the work and the motivation for my study design. Additionally, my chosen method was the interview process, which Hesse-Biber & Leavy (2006) define as, “a meaning-making endeavor embarked on as a partnership between the interviewer and his or her respondent” (p. 119). I worked with my participants to create further understanding and an increased knowledge base on the designed problem.

Ethical Considerations.

I took multiple steps to protect the participants of this study. In taking on a research problem, it is important for the researcher to consider how ethical issues may enter into the equation (Creswell, 2009). In my case, I applied for approval through the Institutional Review Board (IRB), and with participants, explained my research purpose. Each signed a consent form, which is an important step in following a professional code
of ethics (Hesse-Biber & Leavy, 2006; Rubin & Rubin, 2005). Also, I used pseudonyms for the participants and de-identified school districts, universities, and organizations in order to protect the individuals’ confidentiality. Participants were advised on the consent form, that in addition to me, their identities might be known by the transcriptionist and members of my dissertation committee. I undertook these steps to not put my participants at risk and respect the research sites (Creswell, 2009).

The participants signed a consent form to be interviewed, as well as audio-recorded. Additionally, the participants had the opportunity to see the transcriptions and summary of interview data analysis as part of the member checking process. As Creswell (2009) states, “in the interpretation of data, researchers need to provide an accurate account of the information” (p. 91).

Data Collection

The initial step in the collection of the data was actually lining up participants who were willing to be involved in the study. My first action was to contact the Ohio Department of Education, Ohio Association of Secondary School Administrators, and Buckeye Association of School Administrators, in order to collect a list of names of recognized school funding experts. The state level task force reports from ODE helped confirm this process and also provided other possible interview candidates because many of the documents contained lists of people who had participated in the research and discussion. Then I made initial phone calls to superintendents, treasurers, professors, and
organizational leaders delineating the research project and followed up with confirmation emails.

If confirmed during this phone conversation, I attempted to set up a timeline and contacted them at a later date to plan exact scheduling details. If these contacts were not willing to participate, I asked for referrals of other names whom they considered to be experts on school funding in Ohio. The interviews took place in the natural setting of the participants, which were the universities, school districts, and organizations of those who agreed to take part in the study. The participants were able to select the exact building and office in which they wanted to complete the interview process. I interviewed each participant, while audio recording the process, and kept a time of 45 to 60 minutes. I also used follow up emails and phone calls to these participants to clarify any questions and have them member check both the transcript and emerging findings.

The member checking process involved two steps. The first of which was sending an exact transcript of their interview in an email as an attachment. I would then follow up with a phone call or email to clarify any questions and fill gaps with the participants. The purpose was to ensure that the interviewee did not see any errors in the transcript. The second stage was to send a draft of the emerging findings (See Appendix E for outline) and also to follow up with a second phone call or second email. The participants did not confirm findings but just checked the text to see if my findings were in line with his comments during the interview. Member checking is a crucial cog in the early phases of theory development and should occur before the information is moved to
the abstract level by multiple layers of coding (Goulding, 1998). This process helped me to continue my analysis and question any findings, which might be out of line with the information provided by the study participants.

As suggested by many qualitative researchers, the procedures in my study did follow a protocol and was semi-structured (Creswell, 2009; Hesse-Biber & Leavy, 2006). As I interviewed and audio-recorded the participants, I took notes on the setting, accounts, and events but also my personal feelings and ideas as the interviews unfolded. I followed an interview protocol (see Appendix C), which allowed me to use “ice-breaker” questions in the beginning before launching into the body of the interview of open-ended questions and probes on the participants’ perspectives on the school funding formula (Creswell, 2009, p. 183). I made sure to have a heading for the interview (date, place, interviews, interviewee), introduced myself and the research, left a space to take notes on answers, and thanked the interviewee for his time (Creswell, 2009). It was important that I explained my project and the purpose before beginning any interview so the participants were clear on their role (Spradley, 1979). The protocol is built around the two basic research questions of exploring issues with the school funding model in Ohio and possible reform ideas. The interview is a structured conversation, so I organized my interviews by using “main questions, follow-up questions, and probes” (Rubin & Rubin, 2005, p. 129).

The format of the interview protocol allowed for the inductive and interpretive process to unfold but also provided some structure to the interview. The rationale behind
having the chosen questions were to make sure that I asked questions related to the two basic research questions of exploring issues with school funding and possible reform ideas to the funding formula but that I allowed a space for the participants to provide depth to their answers to these questions. Rubin and Rubin (2005) refer to this “Tree and Branch” method of questioning, as an interview protocol that divides the main research questions into segments where questions are asked to seek depth, detail, vividness, richness, and nuance (p. 145). It is recommended that researchers combine probes and follow up questions to maximize the interview process (Rubin & Rubin, 2005; Hesse-Biber & Leavy, 2006; Creswell, 2009), which was the basis for my decision to leave a list of possible topics for further lines of questioning. On the other hand, what questions I asked in follow up depended on what was stated during the interview by the participant.

**Data Management.**

The recorded interview transcripts and accompanying notes are stored in a file cabinet in my home office. It is recommended that data are stored for at least 5-10 years (Creswell, 2009); participants were advised of this timeframe on the consent form. I hired a research group to transcribe all of the interviews and then downloaded these transcripts and the voice files to my home computer. I created a system of labeling each school district and the personnel, so that only my notes reflect the names of each district and personnel. The only people who would possibly be aware of the true identities of the participants and schools involved are the transcriber and dissertation committee members, including the outside member who helped with peer debriefing.
Materials Required.

This study did not require any special materials. I only needed standard office supplies and a computer. Additionally, a digital recording audio device was necessary for interviews.

Data Analysis.

I used an emergent, inductive, interpretive approach to analyzing the data. The process outlined begins with interpretive analysis used for qualitative research (Creswell, 2009; Hesse-Biber & Leavy, 2006), but I will later focus on the specifics of grounded theory. This process of analyzing data is outlined in order to convey a codified procedure, which allows readers to understand how a theory was developed and will lend itself to further credibility (Glaser & Strauss, 1967).

I began the process by reading transcripts and coding each passage of every interview. At this first step in the process, I looked for recognition of topics and used coding as almost an aid to reading. This step was time consuming and caused me to code data that were peripheral to the project, but it is this commitment to a systematic approach that helped result in “fresh and rich results” (Rubin & Rubin, 2005, p. 222). In a grounded theory approach, the central themes and topics are not evident in the beginning of analysis because of the emergent design and evolution of theory through the research data.

After these initial readings, I began to organize the individual codes into broader themes and read the transcripts again to make changes in the themes as necessary. The
codes began to have natural groupings, which stood by themselves as categories with underlying properties or elements. Lower level categories emerged quickly, but I had to analyze and collect further information to move to any sort of higher level, encompassing categories, which could support a theory (Glaser & Strauss, 1967). These emerging themes then eventually formulated my findings, as I used the analytic memo process to create further understanding and connections between the codes, as “memos can provide a time to reflect on issues raised in the setting and how they relate to larger theoretical, methodological, and substantive issues” (Bogdan & Biklen, 1998, p. 161). These memos increasingly contained the themes and categories that were included in the final write-up (Glaser & Strauss, 1967; Hesse-Biber & Leavy, 2006; Rubin & Rubin, 2005).

The major reason for following the described analytic process was to make meaning from the information provided by the participants. Maxwell (2005) discusses the difference between “substantive” and “theoretical” categories, which is surface versus depth of understanding (p. 97). After my initial readings and coding process, I created some substantive categories, which were mostly descriptive and based upon the words and phrases of the interviewees. This step was important organizationally, but I had to move beyond this phase to create a full understanding. Once I created the first surface understanding, then I used the codes and themes to create my theoretical framework. This step helped to put those developed codes into an abstract framework, which closer reflected the concept of how the research data fit with the designed study of exploring issues and possible reforms with public school funding.
To provide further detail, I am going to delineate the basic framework and vocabulary from the later method of grounded theory to clarify the process. Although the process described above is simply interpretive and inductive qualitative data analysis, the terms from grounded theory help to give further structure to the specific process in mind for this study. Strauss and Corbin (1990) detail this rigorous system in their explanation of open, axial, and selective coding. Open coding is the initial naming process through a close reading of the data in a line, a sentence, or a paragraph and names the underlying idea of concept that captures that line or sentence or section. These initial codes that splinter the data were the substance of any emerging categories, which I created through the use of memo writing.

The next two steps take these splintered data and begin to piece the information into a more organized format. Axial coding is used to take the numerous and initial naming codes and put those back together in a cohesive manner that makes connections between the categories of the numerous codes (Strauss & Corbin, 1990). This step aided me, as I established a codebook, which took into account many different categories and subcategories. Finally, selective coding is used to filter the axial categories into a theory, which is built upon the initial codes and categories, which are grounded in the data (Strauss & Corbin, 1990). I worked to build a substantive theory (related to the funding model) based upon the related categories that developed through constant comparative coding and analysis. My aim was to use the above process to produce recommendations for alternative funding models based upon categories of information dealing with ways to
reform Ohio’s public school funding formula. In this research, the concept of creating theory was replaced by the idea of establishing suggestions for alternative funding models, which took the form of a hierarchy of five categories addressing the research questions of continuing issues with school funding and ideas on how funding could be “thorough and efficient.”

While the above process appears as if it is linear in nature, the process was actually iterative. Analysis is an ongoing process, so that while I was gathering data, taking notes, reading data, and even beginning to write memos on potential findings, I was continually reflecting about the data (Bodgan & Biklen, 1998; Creswell, 2009; Hesse-Biber & Leavy, 2006). I used the above steps as a basic format or plan, but the reality is that analysis happened simultaneously throughout the study, due to the emergent design of qualitative studies (Creswell, 2009; Maxwell, 2005). A more accurate definition of the design is “spiral,” as I was “diving” in and out of analysis of data, during the entire research process (Hesse-Biber & Leavy, 2006, p. 289). Other scholars, such as Maxwell (2005), describe the process as “interactive,” as the research does not begin with a fixed point but moves between different aspects of the project until the research is complete (3). Glaser and Strauss (1967) state, “joint collection, coding, and analysis of data is the underlying operation” and “should blur and intertwine continually, from the beginning of the investigation to the end” (p. 43). Figure 1 provides a visual representation of the analytic process and illustrates how codes were developed, as well as how research questions were addressed in the findings.
Figure 1. Illustration of data analysis process and development of codes, including the relationship of original research questions to five categories of findings.
The best way to delineate the above process is to share the details of the coding and analytic coding process to take the description from the abstract to the concrete (See Appendix F for final Hierarchy of Categories, which will aid readers in this section). The experience with coding the first interview transcription involved a number of steps. The first of which was to create open codes, mostly using the words and phrases of the participant, which noted the subject of each line, sentence, or paragraph. I used red front in parentheses to notate the open codes. Using this method, I created 58 open codes during this initial process and kept track of these codes on a piece of paper. After reviewing these open codes, the next step was to create axial codes, which encompassed the topics found in the open coding and hopefully anticipated larger categories to come in other transcribed interviews as well. I created a chart and grouped the open codes by similar topic in order to create the axial codes, which reduced the number of categories to 21. I then used this chart as a key and again coded the transcribed interview, this time noting in parentheses in blue font the axial code that corresponded with the open code. Afterwards, I created a spreadsheet codebook of all axial and open codes. I continued this process with multiple interviews until I saw emerging patterns, which prompted movement to selective coding and the beginning of emerging findings.

To illustrate the above process in concrete terms, it is necessary to use the exact words and phrases from the interview and coding. For example, in the first interview the participant stated, “Then it became an SF 3, and now we’re into the PASS formula. So, there’s been three versions in my career’s time. Each one, had a connection to state
funding, local funding, the relationships between the two, and then what would happen with budgeting connected to that.” Gordon Marnes was responding to a question regarding his experience with school funding, and in reading this line I deemed it appropriate to open code the line “change in funding versions” using red font, which equated with open coding in my system. Later in the interview, Marnes stated, “What about our structural practice as students, technology, textbooks, and resources, there’s where those 412’s were set aside to make sure the sending money on those. This all doesn’t work now; it’s what I’m sharing with you. It’s a collision of different plans, so that’s why it’s chaotic.” This segment was open coded as “collision of different plans” also using red font. As I reviewed, grouped, and analyzed the open codes, these two open codes fell under the umbrella axial code of “Uncertainty in Funding”. Therefore, when I returned to the transcript to add the axial codes, this term “Uncertainty in Funding” followed both “change in funding versions” and “collision of different plans” in the parenthesis after the sentences.

Additionally, the codebook contained all of these axial and open codes organized and ready for use and analysis. To extend this same example from the last paragraph, the axial code of “Uncertainty in Funding” encapsulated all of the following open codes after the first interview; “change in funding versions, state budget, budget impacts leadership, uncertainty of PASS, collision of different plans, DeRolph left no answer, need to define thorough and efficient.” As data collection and analysis continued, the codebook only altered slightly with analysis of each interview transcription and adding further open
codes. Using this process required flexibility, meaning allowing for new open and axial codes through analysis of each new data source, but since the interviews were guided using the same questions there were many commonalities and inclusion of similar topics.

After creating the codebook with initial open, axial, and eventually selective codes, I coded the rest of the interviews. Upon completion of coding, I began the process of taking the coded interview data and splintering it into the different categories and subcategories to create the findings that would be the basis of Chapter Four. During this process, I really began to shift around some of the subcategories or axial codes to better match with the selective codes or the main categories. A specific example was moving “Lack of Inflationary Growth” and “Gradual Inflation Adjustment” from the “STATE FORMULA FEATURES” Category to the “LOCAL FUNDING AND CONTROL” Category. The rationale was that these subcategories fit better with the local funding discussion about the issues that were critical to how schools were locally funded. Other examples were taking the open or descriptive code of “schools receive ‘leftovers’” from the “Limited Sources” subcategory or axial code and moving it to the “Base Cost” subcategory or taking the subcategory of “Tax Breaks” and moving it to the category of “STATE FUNDING SOURCES”, instead of “STATE DISTRIBUTION ISSUES”. In all cases, the process of putting together the data into a cohesive findings section helped me to refine the codes or categories.
Access to Data.

I stored all of the data that accompanies this research on my personal computer and a locked file cabinet in my home office. Pseudonyms were used to describe the personnel, and their respective organizations were de-identified, so that only a few of my personal notes reflect which label represents the participant and his/her location. The only possibility of breaching this confidence is the transcriptionist and the dissertation committee, including the member who agreed to participate in peer debriefing, who could be aware of the true identity of the participants, but no one else will have access to the computer files or hard copy files related to this project.

Reliability

I used a number of processes to ensure reliability and trustworthiness. In qualitative research, these terms mean that I checked for the accuracy of my findings but also took the necessary steps to ensure that my approach was consistent on all levels (Creswell, 2009). The first step was that I kept a research journal to document all steps of my research and the thoughts behind my decisions. While my study is mostly located in the pragmatic, postpositivist, and constructivist arena, the research journal process could be considered part of the critical paradigm, where I analyze my perspective based upon social, cultural, and historical forces that have shaped me and my bias in order to bracket these assumptions, instead of pretending to be completely objective (Creswell & Miller, 2000). This documentation process was included to help with internal reliability
or consistency in the research procedure (Hesse-Biber & Leavy, 2006). Another purpose was to aid me, as the researcher, in systematically attempting to identify my own subjectivity in the research process, instead of pretending as if I was an objective creator of knowledge (Peshkin, 1988). Lincoln and Guba (1984) refer to this technique as a "reflexive journal," where the researcher has the venue to write about "self" but also methodological decisions as the study progresses (p. 327). This reflexive journal process was both valuable for me, as the writer and researcher, but also could be potentially useful for the reader to understand me as the researcher (Borg, 2001).

Next, I made use of three specific methods to works towards trustworthiness in findings and analysis (Guba & Lincoln, 1984). I was assuming a fairly postpositivist lens in this aspect of the research, as I was assuming my work should consist of, "rigorous methods and systematic forms of inquiry" (Creswell & Miller, 2000, p. 125). First, I triangulated between the financial documents of any school district represented, as well as the responses of the superintendent or treasurer of that respective site to works towards triangulation of multiple sources. For instance, I checked to see if the responses on like issues of central office personnel were consistent with what the financial documents stated. Additionally, state level task force reports were used in triangulation but more to support or add verification to findings discovered during analysis of interviews. The value in having the interview data as the primary data source is that the individuals were able to openly express their expert thoughts and opinions without the group dynamics and consensus building that was a part the state level task forces. That is not to say that the
state level task force reports are not valuable, but in this study these documents served a support role to transcribed and coded interview data. Data triangulation adds to the strength of the study when several sources of data or perspectives point to the same conclusions (Creswell, 2009; Hesse-Biber & Leavy, 2006; Lincoln & Guba; 1984).

Also, I used member checks for both the accuracy of the typed transcripts and summaries of analyzed interview data and emerging findings. Participants had the opportunity to view both compilations of data and make corrections or comments. This step allowed for reliability with the ensured accuracy of the transcript but also trustworthiness through a summary of the early findings in each interview (Creswell, 2009; Lincoln & Guba, 1984).

Finally, I used the method of peer debriefing with an educated, neutral party (who is familiar with school finance and qualitative research), as I began to analyze my data and write up the emerging findings. This interaction with a neutral party added further credibility to the findings, as this person served the purpose of questioning the direction of the search and the analysis (Creswell, 2009) and was part of the critical paradigm due to the close scrutiny and collaboration between reviewer and researcher (Creswell & Miller, 2000). As Lincoln and Guba (1984) explain, “it is a process of exposing oneself to a disinterested peer in a manner paralleling an analytic session and for the purpose of exploring aspects of the inquiry that might otherwise remain only implicit within the inquirer’s mind” (p. 308). Peer debriefing helped keep me honest as a researcher by analyzing my role, providing an opportunity to test initial hypotheses, and giving a
chance for me to develop next steps in emerging methodological design (Lincoln & Guba, 1984).

The details of the peer debriefing process included two parts. The initial wave consisted of me sending my first coded interview transcription, developing codebook, first analytic memo describing the process, and the first three chapters of the study to the person who agreed to fulfill this role. The purpose was for him to read the documents and provide feedback on the analytic process, as well as the direction of the research after one interview. We met in person to discuss his critique and the next steps I should take as a researcher in my analysis and data collection. The second phase of debriefing did not occur until I had concluded much of the data collection and analysis and was ready to work on emerging findings. In this phase, I worked to build a case of what information and analysis would be the foundation of Chapter Four on the findings, which was also the outline I shared with the participants to serve as part of the member check.

Limitations of Research

One limiting factor of this study is the sample size, potentially contributing to questions about this study’s generalizability. However, I did not intend to create generalizable conclusions, but rather offer a credible interpretation of the perspectives of school funding experts and generate potential models in the area of school funding reform, which may transfer to other similar settings. The reader actually decides upon the transfer, based upon his or her own experiences and the details provided by the researcher in thick and rich description. The participants’ experiences are valuable and
will contribute to the understanding of the difficulties of dealing with the unconstitutional state funding formula, but the findings are still their experiences.

The goal of qualitative research is not to guarantee external validity but to provide an in-depth picture or description, which will allow readers interested in the same problem to reach conclusions about whether transfer could be a possibility (Lincoln & Guba, 1984). Therefore, in writing the final analysis, I attempted to be extremely clear in explaining my assertions and also display “evidentiary warrant,” in order to provide a thick, vivid description of the findings (Erickson, 1986, p. 149). This term “evidentiary warrant” means spending the time repeatedly testing my assertions and ensuring I have sufficient evidence to make claims in the findings section (Erickson, 1986, p. 146). When facing issues of credibility, the author must give extensive presentation of the overall framework and its theoretical aspects and then “describe the data of the social world so vividly that the reader, like the researchers, can almost literally see and hear its people—but always in relation to the theory” (Glaser & Strauss, 1967, p. 228). The implications from the study are that these views are an important part of a wider discussion in the state of Ohio but also the entire country, as almost every state has had litigation and challenges to public school funding formulas.

Summary

The purpose of this study is to contribute to the knowledge base involving the understanding of school finance in Ohio and in doing so contribute to possible reform in the political battle of how to fund public school districts in this state in a “thorough and
efficient” manner. By completing the research process, my goal is to generate ideas about the Ohio school funding model based upon the data from interviews with school finance experts to give to legislators and lobbyists at the state level. While this research project may not solve what some would refer to as a school funding crisis in Ohio, it has captured the voices of school administrators, university professors, and organizational leaders involved and has relayed their perspective to those individuals who have the power to alter how we deliver resources to Ohio’s school districts.
Findings in this section are based on interviews with 11 recognized school funding experts, including superintendents, treasurers, professors, and organizational leaders and the analysis of these data, as well as document analysis of available state level task force documents, and participating district Five-Year Forecasts, SF-3, and PASS Reports. While the participants’ experiences vary, they have all had extensive careers involving school finance and are recognized throughout the state as authorities on school funding. The participants will be referred to using the pseudonyms I have created, in order to protect confidentiality, and the specific organizations they represent will not be identified (See Appendix D for full “Participant List”).

The analysis of the data has led to five different categories, which are discussed and supported in depth throughout this chapter (See Appendix F for full “Hierarchy of Categories”). These categories are: State Formula Features, State Funding Sources, State Distribution Issues, Local Funding and Control, and Legislative Issues. The following explanation delves into the different aspects of the categories (organized by 20 subcategories) with a focus on the relaying the voices of the experts and triangulation with document analysis as further data sources, while answering addressing the original research questions of issues with school funding and ideas on how to create “thorough and efficient” funding model. Each explanation of the subcategories will begin with a discussion of the issues in school funding before answering the second research question of ideas on how to create a reformed model, except in a few instances where the issues
and ideas were so closely intertwined that it was exceedingly difficult and not productive to the discussion to separate.

**STATE FORMULA FEATURES**

**Base Cost.**

Participants discussed the concept of the state having a base cost in the foundation model that is paid per pupil to the school districts. They were supportive of having an established base cost or foundation amount whether it is per pupil or defined by parts, as in the Ohio Evidenced Based Model (OEBM). The problem is that the amount that is dedicated per pupil to each school has never been a sufficient amount and is still significantly below the spending average throughout the state (last per pupil amount using the foundation model was around $5700 in FY 2008-2009, while average cost per district was roughly $9800). Even from the beginning of the Augenblick Model of using successful schools to create a base amount, the methodology has been flawed, as the state consciously lowers the amount to what can be afforded in the budget, regardless of the model and what has been defined as “thorough and efficient.” Experts showed great concern about this phenomenon coined “residual budgeting” or providing schools with what is available versus what would fund a “thorough and efficient” education.

**Base cost: Issues.**

Participants first mentioned the concept of using a foundation formula to fund schools, the history in Ohio, and context of using this system. Peter Bates stated:
Well, going back to 1958, Ohio had a funding formula that was based, it was a foundation formula, basic foundation formula. Essentially the same type formula that was put into play in 1934 in four sessions of the legislature during the Depression. Ohio’s legislature struggled with school funding and in 1934 they adopted a school foundation formula.

Wade Daniels discussed the concept of a foundation model and how both the state and localities contribute:

Setting aside a moment the whole argument on what’s an adequate education or an equitable education it was kind of an important discussion on the notion of how do you, once the state says they’re going to provide funding, distribute that amongst how many ever school districts you have. In the United States there are really only about three maybe four models to do that. Thirty-eight states do what Ohio does and have a foundation model, which says we determine some base amount of funding, we require some amount of local contributions and subtract it from that base amount and whatever is left the state will fund.

Frank Hobart delved further into the details, as well as the dollar amount the state used per pupil in this formula:

Really from the time, back in the early 80s they had a formula called the Equal Yield Formula and I think more around ’84 or ’85 they changed to the foundation formula. The foundation formula is the most common method for funding schools, lots of other states use it. I think probably at least about half the states
use it. It’s basically the idea that you figure out a per pupil dollar amount and that’s kind of the minimum that any district will get. In every district that amount will come from a combination of local taxes and state taxes. That type of foundation system deals with adequacy by coming up with a way for objectively determining what that amount is. So, when I started in 1990 the foundation level was about $2500 per pupil, the last time we had a foundation model it was $5500 or so per pupil. So in 20 years, it had more than doubled.

These comments simply set the stage for the real issues with current and past formulas not being funded and having a flawed methodology.

Evelyn Crouch explained this problem drawing an analogy to the Equal Yield Formula of the 1970s, “So, I mean, it’s beautifully illustrated (not a sustainable solution) by the Equal Yield Formula, which was going to match, if local districts passed a levy, it was going to be matched by the state. Well, it couldn’t keep that up for more than a couple of years. I don’t even know if they, I don’t think they ever did fully fund it.”

Wade Daniels agreed that the funding formula has not been sufficient and explained just how lacking funding has been in his career:

The fascinating thing to me from the beginning of my career in 1973 is that state’s use of a foundation model has always been driven by one number determined the legislature and that’s the base cost amount. Never has the base cost amount approximated how much we actually spend per student. For instance, the last year of the old foundation model before the Evidence Based Model, the base cost
number was $5732, the average spending per pupil in 2008-2009 was about $9800. So right away you say “well, wait a minute, if the state’s saying we’re going to fund 5,732 but the average spending is $9,800, who is dealing with that difference?”

Peter Bates agreed and placed the blame on the economy but also tax policy without criticizing the varying models by stating, “Now you can’t have it both ways. You can’t have a bad economy a bad tax policy and end up with a good formula, it isn’t funded,” and, “It’s not the Evidence Based Model, you’re going to have the Taft model, you’re going to have, you could have had any model that’s ever been devised on the face of the Earth, and if you don’t have the money it’s not going to work.” Paul Tate also addressed the constant shortcoming in state funds, “The problem with most of the formulas is that once they really put everything together in that formula they realize that it exceeds the resources available to fund it. That was not different when we had the SF-12 to the SF-3 with the building blocks to now the EBM model. They’ve all done the same thing, they get under-funded because the bottom line becomes too large of commitment for the state to kick in.” Ray Juliati made the same comment and created his own term about funding related to the DeRolph Case, “The SF-3 worked well when it’s funded. The problem with it, they stopped funding it. So, the suit should have been that the formula was constitutional, but it was constitutionally under-funded.”

Participants wholeheartedly agreed with one another about the problem of “residual budgeting,” pertaining to the how the State reduces the amount of money given
to schools depending on how the biennium budgets are shaped. Peter Bates discussed, “a new foundation formula, new formula to get rid of the residual budgeting which is a concept of politically determining an amount of money, building a formula to distribute that amount of money as opposed to that formula having any direct relationship with the needs of students.” Evenlyn Crouch expanded on this method and related it to her own experience working with the state:

Well, I would go back to the principle that was laid down in the DeRolph Case, which is, what is the basis for the base funding number that the state is using to fund schools? The famous description for it was the budgetary residual. Anyway, the idea is that there isn’t any real rational basis for the base number in the formula. There hasn’t ever been, really. The state budget director will look in the state budget and say well, “what are the big pieces?” The big pieces are health care and education and prisons. And so they kind of say, “well, about this percentage of the budget goes for prisons and this percentage for higher education and this percentage for K-12 and this percentage for prisons” and you work within that. Then they figure out how much property wealth there is and what’s likely to be brought locally for schools and then back that out and that’s how they come up with the base funding number. That’s what they always did, we did it, too.

Ray Juliati also mentioned this method of allocating the budget when he stated, “Yeah, the system is, right now, nonfunctioning. We’re going to give you what we have left.” He also explained:
I think they have changed it from what it originally was, but it is similar. That is what happened, but when you only have a set amount of money in your own home, I mean, you know what you’re going make this year. So, we got to pay these bills, these bills and even this is what we got left for vacation. Is that residual budgeting? No, but that’s just kind of the way you look at it. Well, I got to add this much for Medicaid and this much for prisons and this much for schools. Do I let the criminals run free, do I let the old people die, or do I help the young kids? Well, think about it.

Neil Johnson added residual budgeting is still one of the major issues with his statement, “But, one of the major things said is that you determine how much education gets by what’s left in the state budget.” Frank Hobart explained the details of this process:

You’ve heard the term residual budgeting? It is generally used to describe something with the legislature. That they allocate to education the amount of money that they have. What I describe is back when we started on this, when the foundation level was relatively low. One year it was around 2530. The next year it was 2700 and something and they weren’t round numbers. I’m thinking, they call it the basic aid amount, it must be some kind of calculation that is a reasonable about amount of money. It turns out, you know what they did, the legislature would appropriate an amount and then they had a couple guys over at the Department of Education who would crunch the numbers and work backwards to the formula, and said we have two million kids, the property values are what
they are, I think that they are going to spend “X” million dollars on school funding. Well this is the amount that you have allocated with the parameters in the system you can set the foundation level at this amount and they will spend that much money. If you set it higher, you won’t have enough money. If you set lower, you won’t spend all the money you allocated. So I describe that in a way where the foundation level is what I called the budgetary residual. Right, what I meant, it is kind of residual in the math sense where it is what’s kind of left over from the calculation. That kind of morphed into the form residual budgeting. Many people have misinterpreted that the legislature funded everything else first and gave education what was left, which is never what they’ve down. They’ve always done the legislative process, which is you balance different priorities. So there is a question about what was the legislature doing and what not and how is that interpreted. But there wasn’t really any question that there was no method of objectively determining what the adequate levels of resources were.

Paul Tate thought that the flaw in the methodology of intentionally lowering the amount to schools would have to be addressed, “At some point the reality is going to have to be, we’re going to have one whether it’s dire straights. You’re going to have to create a model and you’re going to have to be truthful to the model. You can’t create a model that will fit the dollar amount.”
**Base cost: Ideas.**

Multiple participants referenced the changes to Augenblick’s work and how his base amount was consciously lowered. The suggestion for improvement would be for the state to be true to this model or any future models. Matthew Drew made his comments about the legislature intentionally lowering the amount to schools drawing a connection to Augenblick’s work, the *DeRolph* Case, and the Ohio Evidenced Based Model (OEBM):

I think if we had a, once we determine some level of adequacy, we could do it through an Evidence Based Funding Model, we could do it through and Augenblick inferential method in terms of inferring what districts do. You know if you have to develop a system that throws out outliers fine, well get one you could defend. Don’t do one that you purposely, being clean and clear, that you purposely designed it so you could reduce the number.

Frank Hobart also discussed the changes by the legislature with respect to Augenblick’s model:

So, that’s what he (Augenblick) did and I think his methodology is unquestionably a huge improvement over not having any methodology. Had the legislature just accepted what he did and implemented it, I think the last 10 to 12 years of school funding would have been a lot less contentious. But, instead I have to think to make sure I know these numbers, if I remember correctly his approach said that the foundation levels should be $4,269 per pupil. The
legislature implemented, they changed some of his assumptions in a couple subtle ways, there are four of five differences, they came up with a number, which was $4,063 per pupil. Right, they excluded certain school districts, the change was to some extent, this is a science, and to some extent this is an art. Reasonable people can disagree. Our observation is whenever the legislature made changes to anybody’s formula, it was only in one direction. The price always went down not up. So that makes you suspicious of their motives, right.

Paul Tate agreed with Frank Hobart and referenced the initial changes to the Augenblick Model as well:

Well, let’s go back to the old SF-3. It had a student account model, which you know, the old SF-3 had a student account model in it, which you know if a school has 4,000 kids, and you multiply per student to the 4,000 number, that gives you a number and that number is what’s adequate to fund the school. The question is how do come up with the number, the flaw in that formula was that the number that they, the pupil amount number was not an accurate number from the get go. I’m referring to the funding formula number, $5600 number. When Augenblick put that study together, he did that bushel basket approach. That number was closer to 7000. They knew they couldn’t fund it at that level so that number got truncated downward.

Wade Daniels further added that even the basic premise of state aid to schools is flawed and tied in his comments to multiple models:
I’ve never seen a discussion, whether you argue for an input approach or for an output approach or for the Evidence Based Model, how to reconcile as to how much we’re already spending per pupil. So that leads to you conclude one of two things. Either the discussions are flawed or we’re spending way much more money than we need to be. If you use Augenblick’s number or if you use the Evidence Based Model and if you accept their premise that’s all you need to spend to have a quality education, then virtually every school district in the state is wasting billions of dollars. So, it’s kind of one or the other. The methodology is flawed or we’re wasting billions of dollars. Those of us in education or any parent of a child in education is going to struggle to say you can take out billions of dollars of spending and have something better than you’ve got already.

Wade Daniels also discussed the newest trend in education to attach further funding with some type of improvement program but without addressing with initial shortcoming:

So, the research that says you don’t give anyone anymore money unless they can prove they can improve instruction is based on the premise that everybody is getting enough money for a quality education today, so then it’s realistic for any incremental spending should be to improve quality. To me the flaw in that discussion is we’re not funding a quality education at this moment. The additional dollars going in are needed to bridge the gap of the inability or unwillingness of local communities to reconcile the difference between what the state says they’re funding for a quality education and what’s currently being
spent. Until we reconcile those two, this notion you only get new money, we’ve seen it with the federal, Race to the Top Funds. The premise you only get this money if you can prove to us you’re going to do something dramatic, that’s going to have a positive impact. Well, in districts that are already under-funded by 30 or 40 or 50%, how does that work?

*State task force data.*

Multiple state level task reports from the last few decades support these critiques and suggestions made by the school funding experts with respect to the establishment of base cost and the flawed methodology. The 1989 Cupp Panel Report in the Ohio Senate confirms this need to create a stable formula with education receiving money based upon some valid objective with a true per pupil amount, while not receiving “leftovers.” The second recommendation was that, “The General Assembly should determine and establish an objective cost, price, or resource index, to govern in part or in whole, annual changes in the school foundation per pupil funding level,” and also stated, “without an objective measure, the school foundation per pupil funding level can easily be left lagging when existing resources are first put into other programs leaving the state’s basic school aid programs with leftovers” (p. 4-5). The 1991 Joint Select Committee was also clear that the legislature needed to address the concept of residual budgeting and have rationale for the funding system. The recommendation stated, “An objective mechanism to determine the cost of a basic, quality educational program efficiently delivered should be established during the 1992-93 biennium. The basic program cost should not simply
be a function of averaging actual school expenditures,” and should not, “represent a level
determined almost solely by money available after deducting for educational and non
educational program costs” (p. 6).

The 1995 Sanders Report, compiled as a response to the *DeRolph* proceedings,
attempted to remedy some of these base cost issues by isolating the base cost units,
creating input and output measures, as well as setting the thresholds of performance,
selecting the schools that met the criteria, and averaging those expenditures to create an
adequate basic education cost (Executive Summary). By 1997, Augenblick modified the
methodology to create an updated basic amount per pupil for the State to use which
included recommendations to, “remove districts from consideration that are among the
highest or lowest five percent of all districts in terms of per property wealth or median
income per return, rather than per pupil basic spending,” “use output criteria only in
selecting districts for further consideration,” “modify the output criteria so they are
directly related to state policy,” and “establish additional criteria based on careful
examination of spending” so that extremely low levels and high, inefficient levels are
excluded (The State Funding Task Force, 1997, p. 5-6). Additionally, Augenblick noted
that, “Of course, once funding targets are determined, it is necessary to specify how
targets will be met and, in particular, to identify the combination of state and local
resources that will be used to fully fund the target” (p. 25), which never did occur.

The 2000 Joint Committee affirmed the use of Augenblick’s output-based
methodology to establish a base cost but recommended, “expanding the model for
determining the base cost amount, making it a hybrid input/output model by adding dollars for inputs that are unfunded mandates or inputs for which a consensus develops that districts should all spending for that input within their educational program choices” (p. 14). Notice there is no affirmation of any legislative decision to change Augenblick’s methodology to alter the exclusion of certain districts to reduce the amount of base cost dollar amount per pupil. The 122nd Legislature decided to vary from Augenblick and eliminate the top and bottom 10% (versus 5%) school district median income per tax return and not use the Expenditure Flow Model Data Screen (an efficiency measure), which caused the Ohio Supreme Court in DeRolph II to be “perplexed by the General Assembly’s actions of enlisting an expert (Dr. Augenglick) in the area of school financing and then, with no adequate explanation, altering his method” (Joint Committee, 2000, p. 18). The Committee re-examined this issue and returned to Dr. Augenglick’s original top and bottom 5% methodology but upheld exclusion of the EFM Data Screen (Joint Committee, 2000) leaving the legislature with the burden to uphold this method.

“Soften the Blow”.

Because of the many changes in school-funding models and formulas, the state has helped alleviate painful situations or worked to “soften the blow” by holding schools harmless, in the case of Tangible Personal Property Tax (TPP), and phasing out these changes while continuing to provide replacement funds each year, although this tax no longer exists. Experts were worried what would happen with these helpful funds with the current state budget situation (their worries were well founded with the Kasich’s budget
showing drastic reductions in the hold harmless portion of the former Tangible Personal Property Tax). Also, many districts have simply been put on the guarantee, meaning they receive 2% less (or some defined amount less) than the previous year so that their state funding does not drop in too significant of a manner. The number of districts in this situation is increasing. Some participants would argue that when this situation occurs, it is a sign that the formula is not working or not sustainable because it is not serving the purpose for large numbers of districts.

“Soften the blow”: Issues.

Some participants began the discussion of this aspect of the state formula by drawing parallels to earlier in their career when Ohio used a model called the Equal Yield Formula. Peter Bates stated, “By the fourth year, two-thirds of the districts were back on the guarantee so that formula failed us during the time (speaking of Equal Yield Formula in the 1970s).” Along the same lines, Peter Bates commented, “By 1970, the foundation formula (just prior to the Equal Yield Formula) was not working. You could see each year school districts would get about the same amount of money as the previous year, which was an indication. When all districts were getting about the same amount money as the previous year, that’s an indication that the formula is not working.” Matthew Drew added, “We thought the Equal Yield could have worked, but that was another plan… everybody laughed about that people said it wasn’t equal and it didn’t yield. We didn’t fund it. It was too cost prohibiting so they decided to phase it in, and by the time it was phased everybody was on the guarantee, which means it wasn’t working.”
Evelyn Crouch discussed the trend of the guarantee:

And even when we, we put together a new formula, over time, more districts went on the guarantee, and that, those numbers keep growing. Districts go on the guarantee when the formula calculation brings them less money than they got last year. Well, we can’t do that unless we are in a financial crisis, as we have been in the past three years. So, then, over time, more and more districts go on the guarantee, then we try to change the formula, get some districts off, we never get them all off the guarantee, again, because there’s such a big difference in local circumstances.

Multiple participants tied the concept of the guarantee to what occurred under the OEBM. Vlad Dragich partially defended the OEBM, “I think it got an unfair evaluation. The other thing that happened to the OBEM is that we had no money, so what happened was people thought getting 99% of the previous fiscal year had something to do with the model and it only had to do with the economics at the time.” Matthew Drew also commented on his frustration with this occurrence, “We can’t fund it (OEBM), so we’ll phase it in, but if we phase it in, well, hell everybody was on a guarantee so nobody sees the benefit of the piece. Ray Juliati added that being on the guarantee essentially means that the formula becomes irrelevant for the district stating, “So, we’re a guaranteed district, meaning, it doesn’t matter what they change; we’re not going to get any of it anyhow.” Paul Tate summarized the trend in Ohio under the OEBM:
Now, you got to remember the model’s in place, the OEBM is in place, there were 14 districts that the model, when they run the model, get the actual dollars out of the model in the first year and there are 25 districts in the second year of the phase in out of 600 and some districts. So, is the model working? Well, no because everybody else is on some type of guarantee, meaning either getting less money from the year before cap, or they’re getting a little more than the year before cap because the model when they run the numbers of the model, either give them less or give them more than what they can afford. So is the model working? It’s not working from that standpoint.

Gordon Marnes added his perspective on what had occurred in his district:

Well, we’re on the guarantee, which is an interesting scenario, which means because we’ve been dropping off so fast, they don’t, they being the formula, they being the legal side of that, they don’t want you to have such a negative impact. So, they’re holding us at guaranteed previous year’s amount in total state funding. So, as that’s going on on one line, they’re helping us out on another. So, what are we saying, we had the 2%, so we’re 98% of what we were the previous year, in terms of our funding this year.

Finally, Paul Tate commented on how state changes to the formula in the past would cause more districts to move to the guarantee:

There weren’t a lot (items “below the line” in SF-3), but the ones that were there, were below the line. Well then they moved, formula line went below the, so there
was nothing below the line and in a lot of cases because then districts were not getting what they were supposed to get based on the formula. You lost those calculations because you fell right back on your guarantee and you’d be getting more than you had before.

*State task force data.*

The state task force reports also reflected concern for this trend of districts moving to a guarantee. Both the 1989 Cupp Panel Report and the 1991 Joint Select Committee addressed the concept of the guarantee being a permanent fixture in school funding, whereas it was intended to be temporary, and a sign the formula is not working. Their recommendations, respectively, were that, “The basic aid guarantee should, by statute, be frozen at the dollar amount of basic aid a district received in 1989” (p. 5) and, “The basic aid guarantee should be frozen at the fiscal year 1991 level and should be phased out gradually over several years” (p. 9) because it inhibits funds from being used for equalization because resources are given to districts with relatively higher wealth.

*“Soften the blow”: Ideas.*

Another common topic for the participants was the idea of the state phasing out certain parts of the formula and holding schools harmless, most pressing being the phase out of the Tangible Personal Property Tax (TPP). While experts realized this type of aid would not be permanent, their comments showed support for this type of transitional action. Evelyn Crouch saw merit in the revision of the tax policy (TPP) but also using a phase out to help schools with funding, while showing concern for Kasich’s 2011
biennium budget. She stated, “(TPP) is an anachronism. The Tangible Personal Property Tax created a lot of wealth disparity and it also was bad economic development policy. It needed to go and the idea of phasing it out by the use of a subsidy, the state subsidies, was a good idea. Kasich’s budget apparently phases it out to zero for some district this year, this coming year.” Matthew Drew agreed and expressed concern about the phase down of the hold harmless on TPP:

The phase out, the hold harmless, we’re starting now to phase down the reimbursement on that piece as well (TPP). There has been legislation introduced to make the CAT (Commercial Activity Tax) tax, the CAT tax has already been made permanent for schools, but it hasn’t been made permanent to replace this TPP. The Chairman of the Finance Committee when that passed made it clear, he’s now out of the legislature, although he may be coming back in. He basically said, “we’re going to use that to help fund the foundation.”

Frank Hobart mirrored the concern, “So at least for school districts, there are a lot of districts that are getting some, there will be at least be some level of automatic replacement of that money (TPP), well everybody is being held harmless.” He included additional explanation to how Ohio reached this difficult situation:

Non school, local governments are in a much worse position because they don’t have any kind of a formula, so they just rely completely on these hold harmless payments. And who you know nothing’s, you know these tax changes were done almost six years ago, you know back in 2005 and you know they did a “hold
harmless” period for five years and said we will fix it then. Nobody knew back in 2005 that we would have this horrifically bad recession, that when the time came to fix it we wouldn’t have any money to fix it. So now we have got this issue with schools and local governments are dealing with what they are about to lose Tangible Personal Property Taxes, hundreds of millions of dollars to a billion dollars for schools and for local governments, they can start to lose their money starting in August. The schools are protected for two more years and the local government certainly didn’t get it phased out starting in August (2011) unless something changes.

Paul Tate expressed his concerns and further added the political element given the budget crunch facing the state. He stated:

I can’t see it being a permanent hold. (TPP) is probably not a political reality because the terms limits at some point there will be a whole new group of legislators who are going to say to themselves, “Why are we giving wealthy schools a guarantee of money that they were collecting way back over here and we have no allegiance, we didn’t make that decision now we’ve got our own decisions to make.” At some point the phase outs are going to come off.

Vlad Dragich further elaborated on the political nature and the need for money in the general fund with his comment:

Yeah, it’s just politics. The new Chair of the Finance for the Senate in the hearing said, “Can’t we see what Strickland did with his veto, held them harmless for one
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more biennial budget and then the phase down would go back to where it was.”
That’s 600 million dollars and it’s sitting out there like a sore thumb and Senator
Widener when Pari Sabety, the former OBM director under Strickland, he said, “I
want to be clear where is that 600 million dollars coming from”? And she said,
“well that’s what we did blah, blah, blah, it’s holding schools harmless”. He said,
“So, we can change that and go back to the original phase down and save 600
million dollars”. And she said, “Yes, but we’re kind of working…”. He said, “I
don’t care what you’re doing; I want to make sure that I’m clear that I can go
back to original House Bill 66 and save 600 million of this eight billion dollar
problem. And she said yes. He’s now Chair of the Finance Committee.

From these experiences it is clear that the phase out and hold harmless concepts, as well
as the guarantee, have been helpful to school districts when transitioning between
different tax policies and formula models, but it is uncertain whether this type of help will
continue to be available with Ohio struggling to balance large deficits in the budget.

**Variation in Localities.**

A major issue discussed many times is the difficulty Ohio has in funding schools
because there are so many different types of districts in the multiple rural, urban,
suburban, industrial, agricultural, and service oriented areas of the state. It is difficult to
have one formula that fits all areas with these challenges. Most felt the now extinct Cost
of Doing Business Factor was appropriate because of varying costs experienced in
different counties around the state. They also acknowledged the extent of the difference
of the issues and values of each community, including value placed on education and the actual ability to raise funds for schools with huge discrepancies in valuations. This diversity makes it exceedingly difficult to establish a working funding formula that equitably and adequately accounts for the needs of districts and their individual students throughout all parts of the state.

*Variation in localities: Issues.*

Peter Bates gave historical perspective on the wealth disparity and how this difference has evolved over the last five decades:

Now, during this period of time, during the ‘60s well up until now, including now, the wealth has been, has been concentrated in certain types of districts. The property wealth, at one point in time when I started teaching in 1958, property wealth was concentrated, in Cleveland, Columbus, Cincinnati, Dayton, Toledo. With the advent of the super high ways, the interstate system the wealth started moving out to the suburbs. Now it’s the suburban communities that have the preponderance of wealth. If you look at the Cleveland area, the Cleveland City Schools, you know, now, low valuation per pupil compared to Solon, compared to Hudson. At the same time, the state is reducing its emphasis on education through the budget process. The wealth is moving out of the cities, it’s being concentrated in certain types of districts.

Peter Bates also explained that some schools during the ‘90s were completely under-funded, which he saw first hand in his work for the state, “What was happening was I had
visited schools where the facilities were just horribly inadequate, visited schools that had no material supplies, technology that where if some schools, if they had any semblance of technology it’s because the teacher personally purchased the technology.” In his mind, part of the problem was the discrepancy in how much a mill raised in each community, which he explained, “beyond that even if they were at 30 mills they don’t get any money, they don’t collect much money. When you have a disparity in the per pupil revenue that’s raised by a mill. From 500, 600 in some districts down from 30 to 40 in other districts, there are districts on the low end of the totem pole, why would they pass a levy?” Matthew Drew agreed about persistent problem of local districts having very different abilities to raise funds, although he commented on how this difference has been reduced by taking resources away from wealthier districts:

It’s not necessarily doing what we did in the formula. A lot of people can take credit for that. At the beginning of DeRolph, the disparity was almost 40 to one. I mean 40 mills equals one mill from high wealth district to low wealth district. It’s now probably 15 to one or 17 to one. But in the mean time, we deregulated the electric industry, so the power plants, Perry school district was a wealthy school district at that time, it’s not even in the top 20 now. It’s still wealthy but still not as ultra wealthy as it once was. We’ve also taken away Tangible Personal Tangible Property Taxes, which were largely accrued to areas where there was a lot wealth because it’s associated with commercial and industrial wealth. We deregulated all the other pieces, natural gas and electricity, and so forth and
reduced those with taxes with, so we’re more equitable in terms of low wealth to high wealth.

There were further comments on the discrepancy in wealth. Matthew Drew discussed what was meant in the first DeRolph decision when the court expressed concern over reliance on property tax, which in his mind actually was about how much money could be raised from property tax, “districts in order to get to adequacy they might be up here having to do it with a property tax base and Trumbull Local needs 20 mills, to get what this district does with four mills, what this district does with one mill.” Evelyn Crouch laid blame to the difference in districts on why the state has not been able to find a long term solution to funding, “Well, the reason is that the school districts are in such different circumstances and if you have looked at the data on assessed valuation per pupil or median income, you can see that school districts are very different in terms of their local ability to support education and that’s one thing that’s hard to solve in a big state where you have a lot of districts.” Vlad Dragich also commented on the difficulty of attempting to serve Ohio’s many districts:

    Well, Ohio, its strength and its weaknesses are its diversity. I mean we have poor urban, we have not so poor urban, we have wealthy suburban, we have poor suburban. We have wealthy rural, we have poor rural. I mean we have a really diverse, a real divergence of types of school districts throughout the state. And we, in my opinion, we keep trying to stick it all into one formula to make sure that everybody is you know taken care of.
Paul Tate agreed with the difficulty of serving over 600 districts and acknowledged the unique needs of these schools:

If you look at it, if you would go around the state and look at what’s available from the property standpoint, remember property taxes at the local level is the basis for raising their dollars, you know rural and urban districts really have a hard time. You know the rural districts have a hard time because they just don’t have the property tax to generate enough money. The urban used to have the property tax, but they’ve got all the other issues with poverty, so there the programs that they have in place are going to be much more costly, much more, you know, budget draining than maybe a suburban district

Ray Juliati went as far as to say that Ohio is like multiple states being compressed into one with the unique issues, “the problem is Ohio’s three states in one. It’s the industrial north, it’s the service middle, and it’s the agricultural south and outside, outside the 71 corridor. So, the one formula really doesn’t fit all of those.” Wade Daniels agreed with this comment about Ohio being composed of three distinct areas, which poses a difficulty for one formula:

Well, yeah the reality- Ohio’s a very unique state. We’re almost three different states in one. We have Appalachia, Ohio- kind of the eastern one-third bottom part of the state. We have the western part of the state that’s very rural and some of the most productive farmland in the country, and then we have the center slice from Cincinnati up through Cleveland, which has one of the highest concentration
of metropolitan centers anywhere in the United States. We’re almost like three
different states and you know there’s not ever going be one system that fits all
three distinctly different regions of the state at the same time, but yet we found
ways to recognize the need to try to find common ground and we do that
reasonably well already.

Additionally, participants discussed the different cultures of individual
communities with corresponding expectations that posed a challenge, along with varying
local ability to raise funds for schools. Wade Daniels mentioned, “So, for instance, when
I worked in (a large affluent, suburban district), the community expected that we prepare
every child to go to an elite, selective institution of higher education. When I worked in
(a large, blue collar community), they expected us to prepare kids to enter the workforce,
as well as higher education. So, we had very extensive career tech programs.” Ray
Juliati mentioned the needs of different communities in context of wealth and the
frustration of creating a formula for the state:

It’s nearly impossible. You can’t, you can’t have a property tax base to work it
off of, because the range is so different. If you use income, it doesn’t work either.
It’s just nothing, nothing works and then that if you did it by pupil and say well;
everybody gets $7,000 a kid. So, it all goes to the state and all comes back as
$7,000. It wouldn’t be enough for some districts to do what they’ve been doing
and it would be adequate for other districts, but for most districts, it wouldn’t cut
the bill. You would still need local funding.
Some participants mentioned the particular challenges faced by inner city communities. Neil Johnson expressed his belief in the need to provide even greater resources to aid struggling urban communities, although the results are sometimes frustrating, “They (Head Start program) took children and gave them the experiences that they needed at the ages of three, four, five and by the time they entered the first grade they entered equal achievement wise with anybody at any suburb that you can imagine. By the time they’re in the fourth grade they were back to inner city achievement patterns.” Ray Juliati spoke about the persistent problems in inner city achievement and questioned whether more money in the formula would matter, “The problem is so systemic, you can’t solve it with more money, you know, for the guys that say throw money; I’m not one of those guys.”

**Variation in localities: Ideas.**

The school funding experts also shared their thoughts on the Cost of Doing Business Factor (CDB), which was a county-wide adjustment in the formula to account for higher costs in certain areas of Ohio. Peter Bates supported the use of CDB and discussed the original implementation:

I was with the State Department of Education when we developed that first foundation program subsequent to the Equal Yield. We put a Cost of Doing Business factor in it. In fact, we recommended and had as high as 30%. Actually our recommendation was 15%. We saw a differential of about 30%, but we recommend the legislature 15%. They cut it down to 7.5% and then the
legislature messed around with that over time and ended up eliminating it all together. It was up to 13% at one point; then they kind of eliminated it all together. Well, you know there is justification for the Cost of Doing Business factor just like there is justification for a sparsity of population factor.

Evelyn Crouch agreed with the need for this type of adjustment, “I think that (Cost of Doing Business Factor) was a good idea. I do think prices are different in different parts of the state. It’s a price issue, a price of inputs; I think it makes it more fair.” William Holt stated, “I really liked the Cost of Doing Business factor, because it does attempt to adjust for what a loaf of bread costs for the cafeteria,” although he did mention how complicated explaining the concept could be. Ray Juliati also agreed that cost differences were a “Definite issue,” but that, “the problem is they don’t want to add money, so they cut it, but it’s a good thing. It’s a real difference. You talk about teaching in northern Ohio and you’re paying a lot more for everything.” Paul Tate supported the CDB as well because of varying costs in different regions, “The cost of living in Northeast Ohio is much different that the cost of living in, you know, around OU.”

Vlad Dragich agreed that the CDB was positive but acknowledged the issues with implementation:

I think that the problem with Cost of Doing Business Factor is I would like to see it more related. I think there has to be some factor that recognizes it may be more expensive to hire labor, since that’s most of it, but I don’t think it should just be because of CPI or something. If it’s going to cost more to employ a principal or
teacher in an area of the state, maybe there ought to be a way to distinguish that. But I don’t think it should just be like we used to be just flat across, “Well, since Hamilton county is so much this, then we’re going to give everybody that” because that may not be true everywhere. I think it should be more related to what you’re actually going to buy opposed to just based on some CPI or something that talks about the whole county.

Frank Hobart also supported the CDB and drew parallels to the Educational Challenge Factor (ECF) in the OEBM but saw its limitations:

I like the Cost of Doing Business Factor. That’s the other thing included, ECF was kind of supposed to take the place of and we were working on it. That’s what we thought it was. There was going to be a way to come up with a Cost to do Business Factor, which worked district by district. The Cost of Doing Business Factor was something, which I thought, on balance, was the feature of our funding system that was more advanced than what almost any other state had. Hardly any states have anything that takes into account a different cost. It wasn’t perfect, it was relatively limited. You know only have a few percentages points of adjustment but most of the time it was in place where it would do a maximum of about 7.5%. Its big problem was that it was county by county and so you know in Cuyahoga County, Beachwood and Shaker Heights would have the same Cost of Doing Business Factor as East Cleveland. And most people would say, “oh, East Cleveland is Cleveland,” higher cost of doing business than a lot of the suburban
districts there,” but really it was misnamed. It wasn’t really a Cost of Doing Business, it was like a regional wage adjustment that was the day it was created it was based on the average weekly wage of non education workers, the specific county we are calculating, and any of the other contiguous counties.

In reading these perceptions, one can see the purpose of the CDB but also the potential problems.

On the other hand, some participants saw the reason for the removal of the CDB. Vlad Dragich explained, “Because Southeast Ohio people thought it (CDB) was a huge reason for the disparity between districts. It was highly, it highly caused disparity. They actually took that money (from CDB) and pumped into what they call Parity Aid.” Gordon Marnes did not see the necessity of the multiplier, “We just always knew how to do address it (CDB) seeing what that would yield, so I wouldn’t say that that was a big factor because it had such a, it was a small multiplier in the formula, it just depended where you were.” Neil Johnson was also not convinced of its necessity and was more supportive of helping poor districts:

You know, Gallia, which is the district in the state that had the lowest Cost of Doing Business Factor for a long number of years. Is it fair that educational services there should cost less? I don’t necessarily agree with that. Yeah, they cost more in Beachwood or they cost more in Pepper Pike, but I don’t think that should be recognized as such. I really don’t. Well, Cleveland and Hamilton County, got your highest percentages in the state, but as long as that was a
substitute for the poverty and the parity, then I would buy it. But, just as a Cost of Doing Business Factor, I was never convinced that the Cost of Doing Business was the reason for it.

Regardless of the differing opinions on the Cost of Doing Business Factor, a glance at the SF-3 (for FY 2010) of the participants’ districts revealed that this multiplier is no longer a factor, as it does not exist in the formula (ODE, 2011).

State task force data.

The past state task force reports showed support for measures that would account for community variances. The 1991 Joint Select Committee recognized the differences in the ability of local communities to raise money through property taxes for schools, which is the justification for their recommendations that, “The General Assembly should include an income factor in the funding formula as an additional indicator of district wealth” so that districts with “lower average income would receive more aid from the state” (p. 7) and, “an aid-for-effort factor, providing additional funds for additional local effort, should be added to the foundation formula for districts with both low property valuation and low median income” (p. 11).

There was also support in the task force reports for specific measures. The 1991 Joint Select Committee also supported the use of the Cost of Doing Business Factor because of the discrepancy of costs throughout the state and stated in their recommendation, “The General Assembly should require the Legislative Budget Office to compute a realistic Cost-of-Doing-Business-Factor. Once this factor is determined, it
should be incorporated into the basic aid foundation formula and into categorical aid calculations” (p. 19). The Sanders Report also recognized “Regional Cost Variations” by up to 36% but advocated for limiting the adjustment only up to 7.5% in the initial phase because of cost implications (1995, Executive Summary). Additionally, Augenblick’s report on creating a base cost by establishing a dollar figure per pupil included a section on the use of the Cost of Doing Business Factor as a multiplier in the formula (The School Funding Task Force, 1997).

**Differentiated Support.**

Most of the experts were advocates for establishing a base amount per pupil or establishing the parts of what qualifies as basic state aid but then accounting for individual needs through categorical or weighted funding. This situation means providing more aid for varying circumstances, such as transportation needs, poverty, Special Education, Career Technical Education funding, etc. They felt poor districts or those facing extreme challenges should be compensated to help pay for the education of these children. The exception to this sentiment would be the experts who feel that if the state has to establish poverty based assistance as an extra, then the base amount provided is not sufficient in the first place. This line of thought was in the minority.

**Differentiated support: Issues and ideas with categorical aid.**

The school funding authorities made their perspectives clear about the need to differentiate financial support to meet the unique needs of districts and individual school children. Vlad Dragich stated, “It (adequate school funding) has to be able to direct
money fairly to all school districts and, it has to be able to make sure they have the resources available to serve all the varying children that they have to deal with, and it has to…The problem I think is, the way I always say, maybe we need to have multiple formulas.” He also made the comment, “he (Strickland) felt if it’s good for one kid, then it’s good for all kids and so we have got to do it that way; and I just differ that I think that our varying degrees matter.” Peter Bates agreed with the concept of differentiating support and providing different supports for students from poverty and Special Education:

A “thorough and efficient: system, is one where you have an aggressive early childhood education program. Now what that looks like in Hudson maybe a little different than what it would look like in Cleveland, but certainly all day, every day kindergarten would be a component of that early childhood education program. The districts that have particular, you know poverty districts absolutely need to have the resources to provide all three and four year old kids the programming they need to get them up to speed. Now back in the early ‘90s we provided in this state, mandatory early childhood, or mandatory offering of early childhood education for the handicapped kids. Is that bad? That’s good! We need to do the same thing for poverty kids, regular kids that are in poverty, provide opportunities.

Neil Johnson further supported this notion with his statement about categorical aid:
I’m going to say that it’s (an adequate one) based on the model where special attention is given where it’s needed to try and make up for the detriments in achievement that already exist, and that’s the poverty-based assistance, parity aid, I don’t care, whatever it is that you want to call it. But it’s the “categorical,” the Vocational Ed, the Special Ed, the extra funds that go through because of our deficiencies that are known.

Gordon Marnes also was positive on this method and said, “There was a time it was called ‘categorical formula,’ which meant a Career Tech category, a Special Service category, a Direct Instruction category, and they would drop dollars or percentages of that that revenue into the ‘categorical aid,’ they called it at the time.” Frank Hobart gave a detailed explanation of his thoughts on differentiation:

If kids in districts are different from each other, you know the myth of the foundation formula, it starts with a single number and makes it seem like that is the number that’s all important. The reality is that that’s the starting point. Really what’s true is that the adequate amount of funding for each district is unique because each district has different kids, has different conditions of their labor market, of their staffing, of their geography, of their priorities and preferences of their local residents. All of their districts are different, and so their funding system, you know all we just talk about that base number and there is another part of the funding system, which was what we call the “categorical.” It’s essentially what you need to do to be adequate is you need to get the right starting
point and then you need to have the right additional supplemental amounts on top of that starting point. Those supplemental amounts you know they will be for a Career Tech Education on occasion, they will be for Special Education, they will be for educating kids in poverty, they will be for educating kids that are limited English proficient, they will deal with transportation issues, they will deal with cost differences across school districts.

Ray Juliati also commented on this necessity of adjusting the basic formula for student needs:

Well, it was called basic aid, categorically. So, the basic aid, when funded, would provide the basic dollars, as well as categorical, which couldn’t be cut, so that all Special Ed, Gifted, Transportation, all those categorical aids were equal, no matter where you were. So, we would get aid from each of those so that kids have transportation, food services the way it should be, those kinds of things and then they played around with numbers in the basic education, but you still got money out of it.

Some participants focused on the needs of Special Education students, due to the extreme needs of certain students and the costs associated with their education. William Holt said, “When you’re talking about Special Ed and you have a multiply handicapped kid or maybe the most a teacher can work with is four or five and that with the assistance of two or three highly specialized aids.” Evelyn Crouch mentioned how the funding process had positively evolved, “So, I would say we’ve moved a long way in those years.
The ‘70s were when they first started funding Special Ed, too.” Gordon Marnes also mentioned a weighted pupil amount for special needs students:

One thing I will share that I have appreciated in the last evolution of formula is Special Education funding based on your level of need, called the categories of Special Ed, that had some nice, weighted pupil amount. I think that was wise to say that there is more involvement with that particular grouping of student. And that there should be some sense of dollar that follows. So much so that catastrophic aide, which I think is the $25,000 limit that you can have if you have a child that is maybe on a breathing situation, or they’ve got a feeding tube and you’ve got to have a nurse with them, that’s almost cost prohibitive.

On the other hand, he also commented on his frustration with the change in transportation funding, “The piece I think’s been sad has been around the school bus re-imbursement and transportation side. There used to be wonderful cash flow to districts that would help them with their busing situation, where you could get at least 50% of a bus paid for, or if it was a special needs bus, you could justify your miles and numbers of students, you’ve got 100% of that.”

State task force data.

Multiple task force reports included differentiation of state funding to address student need. The 1991 Joint Select Committee addressed the issue of categorical aid with money being distributed for Special Education, Vocational Education, Gifted Pupil, Pupil Transportation, DPIA (poverty aid), and its recommendation was that, “distribution
of funds for appropriate categorical programs should utilize an equalization mechanism recognizing the differing abilities of school districts to raise local funds” (p. 10). The 1995 Sanders Reports continued to support the use of categories of aid with its recommendation being that increased funds flow into Vocational, Gifted, and Special Education; the DPIA be used as a multiplier in the formula based on numbers of needy students; and that transportation be funded fully simply by taking the number of students times the distance traveled (Executive Summary).

Also, the 1997 work by Augenblick included the discussion and explanation of how different categories of students would be funded, including pupil weights for Special Education, Vocational Education, and at-risk (economically disadvantaged) students, as well as a separate discussion of transportation funding and the challenges of population density (The School Funding Task Force, 1997, pp. 12-15). The 2000 Joint Committee further included differentiated funding by being mindful of continuing and even expanding DPIA because of a concern regarding welfare reform and further need to service at-risk students with the possibility of expanding nursing services in high poverty areas, which is what was specifically meant by, “The Committee finds that some alteration may be necessary in the formula for determining the allocation of DPIA funds for safety and remediation” (p. 5). Additionally, in this same report, the Joint Committee confirmed, “the current formulas used to calculate variable costs above the base cost (special education weights, vocational education weights, and pupil transportation) to
compensate school districts for higher costs they may have to incur in providing an adequate education to all students” (2000, p. 36).

The 2005 Blue Ribbon Task Force further supported differentiated funding with three recommendations all addressing the notion that certain students will cost more to educate, which should be supported in the formula. This report stated, “Improving the academic performance of economically disadvantaged children is the state’s most pressing educational and economic development need and must be treated as such in the financing system;” “Full funding should be provided for Parity Aid and special education weighted funding;” and “Continue and enhance the current shared state-local financial partnership for funding the costs of special education, career-technical education and pupil transportation. Limit the local share to 3.3 mills” (Blue Ribbon Task Force, 2005, Executive Summary).

Financial documents.

An analysis of the participants’ district SF-3 Reports for Fiscal Year 2010, still showed this differentiated support for both poverty issues and also students with differing needs. Multiple lines on the report showed multipliers and varying amounts of aid for Special Education students, Career Technical and Joint Vocational funding, Poverty Based Assistance (PBA), Parity Aid, Gifted Education, and Charge-Off Supplement (GAP), in order to assist those districts with needs in any of the above areas (ODE, 2011).
Differentiated support: Issues and ideas with poverty.

The issue of providing extra state aid for districts dealing with poverty issues was seen as a crucial issue, although a minority of experts thought this type of mechanism could be seen as a flaw in the state funding formula. William Holt best summarized this skepticism:

The formula is not equitable as it is now constituted and so we’ve had to use gimmick type approaches to help bring the desperately poor districts up to the, some level of equity in terms of the level of services and so forth. I think parity aid is one of these gimmicks. I think any place we make any allowance for poverty is another one. I support them, because they do decrease the lack of equity, and I would put it that way. I don’t want in any way to imply that the current formula erases the differences caused by poverty.

Frank Hobart acknowledged this concern about special equity funds but had a different opinion about its existence and purpose:

During the times of the DeRolph lawsuit, when it was working its way through the court, before it’s decided, the state agreed with the equity fund there’s a way to target money to the poor districts. In fact, others argued in the law case that (parity aid) was the smoking gun. They said if you need a special equity fund, it’s a sign it’s not working. And I look at that differently and I say, you want to start with me, let’s go to places and target money in those poor places, right? As opposed to getting the foundation level up as high as possible with everybody that
gets the money, you figure out the foundation level in a way that’s adequate and then if you think of the poor districts need additional money on top of that then you give them money and they get it and other places that can raise themselves don’t. I think that that’s appropriate and I think it’s efficient, and others think it’s all about getting the right number for everybody to start at. By the way, the equity fund became Parity Aid. Parity Aid, I think was a big improvement. I got to argue a couple of times that they were missing the point, and the point in Ohio was that because the property tax works the way it does, even if you vote on it, even if you vote all the time and your millage get’s rolled back. There’s a lot of other states that would have what you called Tier II, funding mechanisms, and Parity Aid was our Tier II.

Matthew Drew also supported the use of poverty aid to help the poorest districts and said, “Now, I think some things that were done in the past that helped low wealth districts were things like Parity Aid. Parity Aid, and this where I think others would disagree, they believe that we wouldn’t need Parity Aid if we had a decent funding formula.”

Evelyn Crouch supported the use of past equalizing mechanisms, such as the Disadvantaged Pupil Impact Aid (DPIA) and the ‘70s, Municipal Overburden, saying that, “the rationale was the large cities have a lot, a lot more burden on the taxpayer to provide more services. It’s more, they need more police services, they need more garbage services, they need lots of things and then they have a lot of poor students too
and so there’s an overburden on the taxpayer, and so therefore the state ought to help.”

More specifically, Evelyn Crouch discussed the concept of equity:

I think we just need, I think we need to really watch equity. I think we have a very big problem, as is true across the country, that poor students and students of color are not get the same quality of education as other students. I’ve just been looking at college readiness and it’s clear that even when students in poor high schools that have high levels of poverty, take the Ohio core courses, they are not getting what students in low poverty high schools are getting. They’re taking remedial classes in college at a much higher rate, even if they took core course in high school.

Frank Hobart offered his explanation of how resources would be allocated to the poorest districts in an adequate or “thorough and efficient” model:

I think I mentioned the final step would be that we even need, we need to do something that gives poor districts some extra money they could use for whatever they want and that’s kind of what I think of this Tier II, which is what I think equity aid and Parity Aid are. It was money that was targeted to lower wealth districts, and they can use it to fund whatever additional priorities they have beyond what the state will fund them for. And the reason I think you need that is an equity issue because that was what wealthy districts can do. Wealthy districts don’t just spend at what the state level of funding is. They’re trying to pass levies and they fund those that are beyond that you know, and I think the poor districts
should have the same. You know you are never going to create a system where
some poor districts are going to have the exact same opportunities as a kid in
Hudson or Beachwood or Upper Arlington. It’s not possible, and there’s a reason
that people live in Hudson and Beachwood and Upper Arlington. It is because
they want their kids to have an advantage. So if you are going to chase them, then
you are never going to catch them. But what you can at least do is say that kids in
poor districts, you know school administrators in poor districts can have the
ability to fund some things that are their own priorities are based on their own
resident’s preferences about what they see education to be beyond what the state
says, and I think that’s equitable. I think it needs to be a part of the system.

Matthew Drew also discussed this Tier II aid or discretionary funding that would help
poor districts:

My point is that I don’t think it was every part of, in fact I was the one that first
began to testify, I didn’t call it Parity Aid, but testimony as lobbyist during the
DeRolph Case, I talked about creating a second tier funding. If we have a basic
foundation level we’d have a second tier funding. Now a second tier funding
would be for those things over and above what we would fund in terms of the core
pieces on that basic foundation level. If District B over here wanted to have an
instrumental string program in the elementary school, they ought to be able to do
that. Now, if they want to do it if they’re a low wealth district then you got to
pony up an awful lot of dollars because you don’t have much of a tax base
because that’s going to be over and above that funding formula. Second tier funding, that sort of equalized, and that concept came up through the panel of experts report.

Some participants even touted the fact that Ohio has been recognized for its efforts to equalize in the formula and address poverty issues. Wade Daniels stated, “And in fact, I just read this week Ohio was rated one of the top five states in equity in state funding of public education from the standpoint of addressing poverty issues. The old PBA (Poverty Based Assistance) index and the bias in the funding mechanisms for high poverty, we have one of the best systems in the country to do that.” Vlad Dragich added historical perspective from Neil Theobold’s work, “He talked a lot in his report about equity, well, in fact, I remember at one time he recognized, he thought Ohio had one of the best systems for putting money to high poverty areas.”

Other school funding experts explained past actions to equalize resources to those districts in need and also drew parallels to the OEBM and the Educational Challenge Factor (ECF). Neil Johnson gave a detailed articulation of this progression:

But I get back to what the state funding model is trying to do and components of it, the poverty assistance, the aid, the transitional aid. They’re trying to give those extra resources back to Cleveland and Akron, Warren, to give those extra services that you need in order to get that child’s achievement up to that level of the non-urban type child. I’m trying to say there is not equalization as far as the resources that are produced by a community, but when you do add these factors of poverty
assistance and parity, and I’m going to use the word transitional aid, it does help. It gets in those resources what they can’t get out of the local revenue that they’re getting. Well, you have to go back to the SF-3 and that’s the fact that if you go into there was a thing called PBA, Poverty Based Assistance. There was also Parity Aid, which was meant to equalize the stream of revenue that was coming from property tax. But where I’m going with this and what I’m saying to you is that the new Evidence Based Model takes that into consideration in that there is a new factor in there, an educational factor where you get a rating and your rating is either a .86 or a .1 or a 1.4. So, instead of calling these things poverty and parity and transition aid and so forth it’s being addressed in this Educational Challenge Factor. It’s right in the legislation and it’s based on again the property values, the income of the population that’s living there and so forth and like that. What I’m saying to you is that you have to continue to have that factor in a funding formula, that evens out that fact that areas have the poor income or the poverty don’t have the resources but they make up for it in the funding formula that way. They did it previously in the SF-3 by the factors that I just cited. It’s just this educational factor is now called the Educational Challenge Factor.

Paul Tate also discussed the ECF as an attempt at equalization:

The poorer districts were not getting enough of the dollars who under the old SF-3 actually did better than under the OEBM model because of how the numbers got crunched. So in order in to fix that they went into the ECF, the Educational
Challenge Factor. Well, when they started it, the ECF was like a factor of one and it gave, instead of giving Parity Aid and Poverty Based Assistance and so forth, it gave urban districts more than one.

Matthew Drew also mentioned the ECF as an aid, “For instance, the poverty factor that has driven us, the huge poverty factor in terms of how that’s done with that Educational Challenge Factor.”

On a positive note with respect to the DeRolph proceedings, multiple participants mentioned the effort towards improving state funding through equalization and support on capital outlay projects. Evelyn Crouch stated:

Here’s what I really think, I think that the DeRolph Case had a lot of good benefits and one of them certainly was facilities funding. There’s no question in my mind that facilities finding is where it is now because of the DeRolph Case and Governor Taft. I give Governor Taft a lot of credit and I think we’d be worse off in just regular state subsidies for schools if it hadn’t been for the DeRolph Case, because I think state subsidies for schools would have been cut in 2002, after nine eleven (9-11), when things went south and schools didn’t get cut and they did in most of the other states. So, I think there’s two really strong benefits that came out of the DeRolph litigation.

Frank Hobart trumpeted the improvements in this same area:

The other big impact of the DeRolph Decision in terms of school facilities spending, there really was hardly any state support for school facilities, and if you
were a poor district that has trouble raising money to staff your buildings you’re going to have the exact same problem in terms of maintaining your buildings, renovating them, building new buildings as you need them. The fact that we’ve spent over 10 billion dollars on school facilities and we’ve started from the poorest districts and are working our way upward on a list, that’s literally a concrete example of, if nothing else had happened, the \textit{DeRolph} decision.

\textit{State task force data.}

This issue of equalizing resources and helping poverty stricken districts was a priority in the state task force reports. The 1989 Cupp Panel Report in the Ohio Senate confirmed the need to “equalize” resources and give additional aid to those schools in most need, as two recommendations specifically addressed this issue by stating, “Continued efforts should be made by a legislative task force in the current General Assembly to review, study, and formulate recommendations on (A) equalizing more than 20 mills in the foundation formula and (B) assisting the school districts with the poorest property tax base by providing extra matching dollars for extra local effort” (p. 6). Also, this report specifically outlined the need for aid directed on physical projects in saying that, “The General Assembly should create a capital improvement fund to provide poorer school districts access to grants, low interest loans, or no interest loans, depending on need and purpose” (Cupp Panel Report, 1989, p. 7). The 1991 Joint Select Committee made it a priority to equalize resources through examining and taking action in the area of capital projects and stated, “the lack of equity for school district capital needs is a
serious issue that must be addressed” (p. 20). Finally, the 2000 Joint Committee
recommended, “adopting a Tier II funding program that provides a supplement to each
district, with the greatest amount of aid being distributed to the lowest wealth districts”
(p. 40).

STATE FUNDING SOURCES

Limited Sources.

Participants discussed the limited sources for school funding with the state budget
being in crisis and money being available only from property, income, or sales taxes.
The political emphasis now is being placed on protecting the taxpayer, so there is not
much relief in looking at increasing taxes to help schools with funding. Whether the state
or localities are providing the money, it is some sort of combination of these sources.
One can look at other states’ models, but there is still some form of established taxes
being used to fund schools. There is a reliance on property tax in Ohio, but this tax is
considered the most stable. On a final note, participants discussed and recognized the
expenditure issues with schools (meaning the need to control costs) and not just the
revenue part. Regardless, pursuant to Article XII, section 4 of the Ohio Constitution, the
state is responsible for “raising revenue, sufficient to defray the expenses of the state, for
each year.” Therefore, a “thorough and efficient system” is an expense of the state,
meaning it can be argued that a faltering economy, the political craze for lowering taxes,
or any other factor cannot be used to justify less than a thorough and efficient system.
**Limited sources: Issues.**

While participants discussed the concept of revenue being limited for school funding, they also explained that tax revenue is adjustable. Differing tax policies can raise greatly varying sums of money. Peter Bates was of the philosophy that the state needed to generate enough revenue to fund a thorough and efficient system because of the constitutional obligation saying, “Establish what that is but then you see, if the state legislature and the governor are responsible for a ‘thorough and efficient’ system and there isn’t money to fund it, instead of cutting, find the money.” He also was emphatic that, “If the state doesn’t have enough income tax, or I mean property tax, sales tax, cigarette tax, a state tax, then the state needs to address those tax issues.” On the same issue, Peter Bates pondered:

Well think about this, school districts are getting cut from the state, education’s the state’s responsibility and we’re reducing a personal income tax. Now go figure. Strickland was criticized by putting that on hold that last 4.5%. Ogre, he was an ogre, gouging the taxpayers. You know, okay, don’t like us at state level, pay us another 20 mills in (your community) over two or three years, instead of income taxes. You know the legislature does things to divert the attention to school people and we’re so naïve that we got all worked up with House Bill 920, these things, we don’t focus on the big picture.

Evelyn Crouch also discussed recent politics with respect to sources of income at the state level:
I think we’re starting on a big change. And the reason is the Governor (Kasich) and the people who are in the legislature now, are ideologically in concert with a national movement, which is to minimize the role of state government, get rid of the personal income tax, and greatly expand school choice. I think it’s, there’s going to be less, a lower percentage of state funding for schools.

Ray Juliati agreed that the current zeitgeist with respect to taxes would probably cause funding issues for public schools, “So, I think they’re going to, for it to work, they’re going to have to make tougher decisions, we just don’t define with people what they’re responsible for and what they’re not, is part of it.” Paul Tate mentioned different revenue sources to help with Ohio’s budget deficit and the difficult choices ahead, “There are a couple people advocating for the increase in the sales tax by a penny or half a penny. You know the income tax rollback that they delayed, they’re going to have to reconsider delaying it again. Otherwise they would be hard pressed to cut eight million out of the budget on its own without raising taxes.”

Other comments by participants elaborated on the shared nature of funding for public schools between the state and the locality. Vlad Dragich explained that even defining who is responsible for which portion can sometimes be difficult:

What we have now is a system that 50% of the money comes from local taxation and 50% of the money comes from state. It depends on how you count the state money because you get into well, is the reimbursement- well, my local hat I’m going to say that the rollback is part of property tax. If I’m in my state hat I’m
going to say, “Bullcrap, that’s state money.” I mean I get credit for that because I’m writing the check. I would say in my community, “well, I’m the one that went out and passed the dang levy you just happened to pay 12.5% of it”. I mean those are the arguments we get into, but we’re not going to get away from that mixture at least in the near future, so if there is 13 or 14 billion spent on education in Ohio right now, it’s about 6.5 in the state, it’s 6.5 or seven, that last time, but I think it’s around seven billion comes from property taxes into education.

Paul Tate talked about the issue of defining the state and local share of school funding:

You can hear a lot more about what they consider the state share; your local board would say, “Well, that’s (local charge off) local funding.” The state would say, “That’s why it’s coming off of the formula,” and it comes off the formula in the new formula too, that’s why it’s there. Why are they charging off the local amount against the state amount? It’s because they’re saying we believe these 20 mills are, we voted everybody has to take that off their tax report and therefore it’s not really local commitment, its state commitment, just like a rollback is considered a state commitment not a local commitment. That 10% they’re rolling back on everybody’s tax bill, they add that up it their commitment to public education, so most people don’t think about it that way. So what’s the state giving me, what’s our state share? Well, they go to the formula and they look at the bottom of the form and they’re like we are on the guarantee and they’re getting three million dollars or two million dollars whatever they’re getting so
well, that’s our state share. Well no, the state doesn’t do that. That’s all, it’s that plus the roll back, plus the charge off. Well that’s a heck of a lot more than the guarantee.

**Limited sources: Ideas.**

Other participants focused more on the combination of different taxes that are available to fund schools, as well as potential pros and cons to these different revenue streams. Neil Johnson mentioned the limitations in using taxes outside of property, “When you deal with income tax, and sales tax, and commercial activity tax, you’re dealing with a type of tax that adjusts itself to the spending patterns or the earning patterns of people.” Gordon Marnes furthered the discussion by explaining his take on a proper combination of taxes:

The best situation would be to find a proper combination of property tax, sales tax, and income tax; property, sales, and income, and what I mean by the proper equation is this—I’m going to now step away from school funding for just a second. Investors who do their best work, usually will have a couple of what we would call levels; one conservative, one a little bit more progressive, and then an international. The reason being, is that you don’t want to put them all in one spot for market impact. It would drain too quickly. So, one has to offset the other, or actually, the three have to work in unison. So, they work in foreign with an aggressive and a conservative domestic, and what happens is those economic factors trigger almost a balance if you’re doing the right things with them. We
need to do that in Ohio. We need to look at property, which is probably your strongest. There’s your base; there’s your conservative one. Income is probably your toughest one, and then sales tax fits itself in the middle. There’ll always be some form of property tax; that will be an anchor, but what we chose to do with the other two is where the political will has to come in. Do you have to bump that state income tax just a little bit, or should your sales tax look a little more uniform to a percentage so that you can say, “Here’s the unison between the three to help you with your revenue stream?”

William Holt elaborated on the use of multiple taxes:

Well, you know, there are advantages and disadvantages to each one (tax). When you look at, again, the equity issues in all these things and which ones are regressive and to what extent they’re regressive, you know, each has its own weaknesses, each has its own strengths. And what you’re really doing is trying to come up with the mix that does the least damage to the taxpayer, but produces the greatest amount of income for the schools, and every time they monkey with those things, then you got to go back to the drawing board and start all over again to make sure you still got the best mix. You know, the way I explain it in class is, you know real-estate taxes are very slow to change in response to the economy, but because of that, it’s difficult to meet challenges of rapidly increasing prices for things and stuff. On the other hand, sales tax and income tax are, are very responsive to changes in the economy, but usually more responsive to the
negative changes than they are the positive changes. There’s no, there’s no stop loss on those, but there is a cap. So, you’re trading the, their quick responses to increases in the economies not withstanding that caps to the quick decline in income when there’s a down turn in the economy and there’s no bottom to those.

While many of the comments focused on standard combination of taxes, other ideas included modifying tax structure to adjust to a modern economy. Vlad Dragich talked about modern options:

I am not really into dedicating taxes, I’m more into looking at our tax structure, and I mean, I love it. I mean we’re of kind rationally looking at that. But do we have the right tax structure for the 21st economy we’re faced with? Since we’ve gone away from a highly manufacturing tax base and all of that stuff. Have we built one? Are we dealing appropriately with this kind of services whether internet service, whatever that is and taxing those things in a way that is 21st century type of. But I’m not supportive of dedicating, like we’re going to pass a one percent sales tax and it only can go into education. I want a good funding formula because, that can be limiting too, but if you need one and quarter, “well, sorry can’t do that.”

Evelyn Crouch also discussed the difficulty in dedicating taxes and supported finding another solution:

The other part though (why school funding not sustainable), is that all of those key things keep moving, so you get a formula in place, it seems to be reasonable
and working fairly well, but then within a few years, it changes. Assessed valuations change; they go up, they go down, factories close, people move. So, you can’t put a formula in place that’s going to keep working and state revenues are very cyclical with the business cycle, much more so than local property tax revenues and so when you, when you have a low business cycle, then you’re going to have lower tax revenues and at the state level especially and that’s, that means you can’t keep up.

Still other comments focused more on concept of Ohio being too reliant on property taxes, which was a concept that came from the DeRolph, although interpretations vary and one could argue that has more to do with equity, rather than reliance of property tax. Either way, there was discussion about the property tax issue. Vlad Dragich joked about in his response:

You know, we don’t have the ability to go back and say we’re going to start all over again. We’ve built a system of school funding that is you know, I, you know you can’t say this publicly in my position but I mean it’s almost ludicrous to me that everybody kind of talks out of both sides of their mouths. We want less reliance on property tax. I will hear people in communities, “well, let’s reduce some property tax.” Well what that means is I don’t want you to ask me for any more levies.

Matthew Drew discussed the progress made in the state task force work, which helped with taxpayers with property tax:
So we did a couple of things, some other big things that I think really apply to Strickland, although the recommendation originally came out of the Blue Ribbon Task Force. For example, we need to make the property tax base less regressive. I mean I never was one to say, “How can we give away seven or eight billion dollars of local taxes.” Where is it going to come from, we’re going to double the state sales tax, increase the state income tax by 80% just to make up for the property taxes. It is less regressive, it is true. We got the widow over here with this house and whole equity and world is tied up in a house and wasn’t able to pay the taxes on it, which makes it less equitable. The Blue Ribbon Task Force, which I was one of them, made a recommendation that all property tax payers have an exclusion of say, I think $40,000 to $60,0000 of their house exempt for property taxes on schools. So now if you only have $100,000 house, say half of it is exempt from paying school taxes, the state makes up the difference. It would have cost a penny on the sales tax to have funded that. That was part of the big discussion about whether there would be any recommendations for tax increase but the education community thought that would be a good place to go.

Frank Hobart also discussed the reliance on property taxes as one that needs to be addressed, “Even if we get that part of it right, which is hard enough, we still have an issue in the local level where if we’re still relying on school levies to the same extent we are, we really haven’t fixed a system until we’ve reduced the reliance on property tax levies which is what a lot of people believe.”
An interesting part of this discussion that typically arises when analyzing school funding is to view how other states use their limited sources to fund public schools. Neil Johnson is a proponent of how funding works in Wisconsin:

See, I have a brother-in-law who lives in Wisconsin, and at the end of the budget making cycle, they tell him how much his property taxes are. I just know that that’s his way of doing it. And he might say, “One year I paid $1,600 on my house, and the next year, I paid $1,900, and the next year, I paid $1,750.” Therefore, what you have to do is you have to really evaluate the budget making process that eventually determines, as opposed to what you do in Ohio is you’re given this money, and then you have to make the budget adjustment based on what’s given to you. It’s not based on, again, I’m back to the Wisconsin model, of what they determine it is what you have to have. If a “thorough and efficient” education consists of the evidence based model components being put in place, there’s how much it’s going to cost you. That’s basically their system.

Wade Daniels mentioned two different states and their approach to school funding, “We have Hawaii who is the only state that has one state-wide system so the state budgets for the state. We have several states including states including Pennsylvania that uses a federal budgeting model on baseline funding; you get what you got last year plus or minus something and it’s really not connected to the number of students necessarily and number of teachers.” Ray Juliati also mentioned Pennsylvania and their system, “I talked to counterparts in Pennsylvania where they just give the state budget. They say this is
how much we need, the auditor sets the rate, and sends out the bill and everybody thinks, well, that’s an easy way. Well, what happens is, you lose the five board members. They go, ‘well, you didn’t need that much, so we’re voting you out.’” Gordon Marnes mentioned Michigan in addition to Pennsylvania:

You compare us to other states—they’ve done some nibbling here and there with it, but it hasn’t sustained itself. Michigan’s a good example: they were real aggressive with, I think, their latest funding model, but it had an implication I believe on sales tax and income, and it was pretty tough. Go over to Pennsylvania, where you don’t do levies per say, your commissioners tell you what your budget’s going to be. If you don’t like that, you vote your commissioner along. So, those taxing authorities or their budget commissions I think they call them, are the key to setting up funding there.

One participant really delved into the other side of schools and states having limited sources to fund their schools, which is the expenditure issue. Paul Tate captured this concept, which is apparent in the Senate Bill 5 debate over collective bargaining and set teacher contracts with automatic raises each year:

Because I will tell you this, as my role when I was superintendent, I’ll tell you this. This is not just a revenue issue, it’s both, it’s a revenue and expenditure issue. I mean, in essence, if you think about it this way, if the model, if every teacher’s salary is driving the real cost of the model the more money teachers get the higher the model goes, the more the state gets, well that may or may not be a
reflection of reality. Teachers are getting 5% increases every year and state revenues are decreasing by 5% every year. That’s not going to work. The problem we’re back to is no matter where you’re at, steps become and steps drive the cost up because they’re anywhere from 2% to 3% percent growth even if you freeze people’s salaries. So let’s say a school in the last final budget got frozen from the year before took a 2% reduction, took another 2% reduction, that was their state share. In the mean time, their salaries for their employees moved by 3% a year. So they in essence took a 5% cut every year, that’s why you can’t catch up. That’s why you’re on the ballot, even though the 2%, that’s the good news for that district is that 2% cut in the state share is that your state share is low. If you’re the opposite, if your state share is 70% of your revenue and you’re taking a 2% hit you’re taking a huge hit versus a two percent on a 30% share.

Based on the uncertain economic times, still rising expenditures, and the reluctance to raise taxes at the state level, the limited sources for schools seem set on a course to be even more limited than is already the case with tough choices ahead, although there are possibilities for reform.

State task force data.

As already mentioned by the experts, state level task force work has focused on the different sources available for funding schools. The 2005 Blue Ribbon Task Force addressed the issue of taxes and creating a stable source of income for Ohio’s schools with their statement to, “Revamp the state’s overall tax structure to enable Ohio to be
more competitive in the global economy, thus providing a more stable and growing revenue base for school funding” (Executive Summary), which has been partially addressed by the change in Tangible Personal Property Tax, although revenues are not in place for appropriate school funding given the extensive state budget deficit facing Ohio in 2011.

**Shift Not Supplement.**

Experts addressed the constant question about lottery revenue as a source where potential supplemental funds could come. Most of the time, what has occurred is that line items are shifted and any extra revenue becomes a “shell game,” meaning that lottery revenue is used to fund schools, but this same amount is then taken out of the general fund for school districts and used elsewhere in the state budget. Lottery revenue was supposed to be supplemental but has not been. It is a small amount of money with respect to the entire state budget and has been a public relations difficulty, as citizens throughout the state see these funds as significantly helping schools, when it in fact is not the reality.

**Shift not supplement: Issues.**

The school funding experts interviewed for this study shared their experiences in dealing with the lottery revenue concept and the corresponding shift of funds to other areas. Participants talked about the concept of the “shell game” and how they were deceived into thinking the lottery funds would be used to increase school funding. Willim Holt stated, “Well, the lottery revenue is a three game Monty. They give with
one hand…it’s a shell game. What they do is they explain that they gave a 100% of the money to education and forget to mention that they reduced the appropriation out of the general funds for education.” Frank Hobart said, “Well, everybody knows that lottery is a shell game. You know what the banks do when the guy comes in with the ski mask and a gun and the note and you dyed the money? If they dyed the lottery money and the dollars spent on mega millions, does it end up in the school district? Yeah, it does, but does it push out a dollar that wouldn’t have been there anyways, yes.” Neil Johnson had a similar tone to his comments, “I continue to define this as one of those places where I was hoodwinked,” and explained, “That’s dipping into the till. I mean, the lottery goes into the big pot, and they take money out of the big pot, give it to school districts, and they say, “Oh, that was lottery money.” That’s flim-flam.”

Also, the concept of shifting funds to other priorities and other line items within the school funding budget was discussed as a difficulty. Gordon Marnes explained both situations:

That’s one of my huge issues when I go out and talk about it. The lottery was passed at the time to be the revenue source for schools that was a statewide way of sharing for that. It was passed as a revenue generator and what occurred was in the law, it said lottery proceeds are to go to schools. Absolutely they all do, but what happens is other parts of the budget now have been moved to in a sense remove that revenue or cash flow source to be placed somewhere else. So is the lottery all going to schools? Absolutely, but they move, they being the legislative
group, move other parts of revenue that have been going to school over to Medicaid/ Medicare and prisons those are your two other spots, the three biggest hits to the state budget, Medicaid/ Medicare, prisons and schools. Because you look at the percentage of the overall budget that has gone to schools and you can look at that and not a big growth in that comparative to the amount of money that the lottery has generated. The shell game phrase that you hear, absolutely it is all going to schools. And I applaud them when I talk to groups, I tell them you can tell them they are right, you can tell them they’re right but you need to know the rest of the story and here is the rest of the story. The money has replaced it and you can test that or else we wouldn’t be in this particular situation again.

Gordon Marnes also discussed the shifting of money between line items in the districts budgets and the game that is played with this scenario as well:

So, you had to understand that that particular line item might read this way, but you had to think as a leader, what’s the implication of that line to other lines that may in fact not be serving you well? And there’s my criticism of the formulas, I’ll call it, “reporting,” or the political side, and that is you’ll hear legislatures say, “Well, we’ve increased basic aid ‘X’ percent over a period of time.” So, the political mantra is “Schools have been taken care of.” What they don’t share, is that, yes, that line has been affected, but there are three or four others that have been reduced or eliminated, and now local districts hold the bag for that. So, the net effect is that you don’t have as much money as you had before.
Shift not supplement: Ideas.

Participants explained their methods of dealing with the lottery revenue issue and ideas on how to make better use of lottery revenue. Peter Bates explained his multiple frustrations with the lottery, so much so that he prefers the money be allocated elsewhere:

I wish they would have given it (lottery revenue) to the prisons. Well what’s it done for schools? It has caused a lot of grief, levy promotions, because people have been asked the question a thousand times. What happened to the lottery money that was supposed to take care of schools? Three times in the history of the lottery has the state supplemented it’s funding with lottery money. Three times, three years. I was with the Department of Education and we gave, there was some extra lottery money, so they passed it out to school districts like $5 per pupil or something like that. Actually, over a three year period, the schools received a supplement of about $60 per pupil, cumulative, they just supplanted tax money. Give it to prisons, give it to somebody else.

Paul Tate described the progression of initial intention of the lottery money, which would be more helpful to education funding, versus what it has become:

When the lottery was established in ‘82, I can’t remember now. It was ’82, the money was divvied up and was sent back to districts on a grant basis. Remember under the line? You’ve got “x” amount of dollars, actually the first round of money for it had to be spent on technology. So districts, so you didn’t have money for technology, and you had to spend it on technology. I think that lasted
one or two years. And then they got themselves into a budget bind, so rather than giving it away in grant, they put it into the general fund and in an essence they did a bait and switch. They took the 800,000 and whatever they had, the million dollars and they said “Alright, here is the lottery money,” and we’re going to put it in the general fund. That left a million dollars in the general fund to fund something else. And so, that’s what happened, that’s where it now goes, in the general fund. So the problem is now, we’re relying on it. If the lottery went away tomorrow the general fund and the money we give for schools would have a hole in it. It is part of the funding formula, it’s no different than sales tax, it’s just that it’s supposedly earmarked, but it’s not extra. It’s just added in.

Wade Daniels concurred with his comments and offered his suggestion:

Well again, I’m old enough- I was around before the lottery. In the early years of the lottery, they used to send us a check separate from the foundation money. In the beginning, and it was earmarked for either textbooks or technology. Then it got folded into our foundation payments. Now it’s kind of disappeared. The reality is it went from being supplemental funding that was added to what we already got to a funding source for part of what we always got. So, what we’re not allowed to do with federal dollars, the state did with their own money. They supplanted the funds. In the late 1990s, someone came up with the harebrained scheme of saying let’s footnote the bottom of the foundation, the old SF-3, to say how much of this is funded by the lottery. I had fun with that because I took that
number and said, “okay, I can go back 25 years and we never got an increase in funding that equals this amount that they claim came from the lottery so where’s the money?” The one thing I proposed to the governor’s office two years ago and unfortunately, they won’t let me be governor for one day and fix all this myself, one of the things I said at the very least put an advertising moratorium on lottery programs at least one month before the election before every November because every time you hear a commercial on the radio or see an RTA bus with “Buy the Lotto Tickets, Support Education,” it just makes it more of an issue so at a minimum give us breathing room during levy campaigns. And the reality is it’s a declining revenue source.

Matthew Drew agreed that while the amount of lottery money seems large, it is not able to fund much in looking at the big picture of statewide funding and causes local districts further difficulties when trying to pass levies, “Around 650 million dollars per year come from lottery profit. What it has done is created a problem for you and everybody else at the local levels when you get asked that question when you are on the taxes, ‘wait, I had a lottery question.’ Now you have to explain to them that it’s not very much money, they don’t fund much.” He actually recommended that the state use, “the 650 million dollars to fund the 10% property tax roll back, just for schools,” because if the “ten percent of your property taxes are paid by the lottery profits, now it’s more meaningful to you,”
adding, “I would love to see an ear mark for something that’s still schools but not a part of the general fund for schools.”

Other participants focused on how little the lottery revenue actually funds in individual districts. Evelyn Crouch said, “It’s not worth talking about. Well, it brings in a very small percentage of the money for schools and people don’t really understand the difference between millions and billions of dollars” and also, “I mean, what is it, about 600 million dollars a year now? I mean, that’s 600 million dollars. Even if it was extra money it wouldn’t even be $300 a student.” Vlad Dragich agreed with how little the money actually does for each school and stated, “It (lottery revenue) always cracked me up. Such a small portion of the pie. But it was played up as such a big portion of the pie when it brought in to sell because that is what politics does ‘we gotta have this because we’re going to fund schools,'” and then later in his comments, “I think 745 million is coming roughly from lottery. So that’s a little over 10%. So if I’m in my old district getting $200 per kid of state aid, 20 bucks is coming from the lottery…We used that in our levy campaigns, we put in two days, so we would say the lottery operates our schools 2.2 days a year. I think it made the point.”

In viewing these thoughts by school funding experts, the lottery money certainly has not been the answer to school funding that many had hoped and instead, it has caused further difficulties in public perception and passing local levies. Additionally, the shifting of money and the concept of the legislature creating a “shell game” is still a common practice to the point that this revenue has become a relied upon source of
funding for schools in the general fund, instead of being used to fund a specific portion or program of public education.

**Business Tax.**

Another revenue issue is the business tax situation, which is seen as crucial, especially to those high wealth districts, which have been held harmless for the phase out of the Tangible Personal Property Taxes (TPP). Experts understand why this tax needed to be eliminated because it was based upon inventory and was for the manufacturing era. The problem is that the Commercial Activity Tax (CAT) has not generated enough revenue state wide for the purpose of school use to replace the money from the Tangible Personal Property Tax, which is set to be phased out in the next few years, even more aggressively so in Kasich’s proposed budget. The original concept in the elimination of the Tangible Personal Property Tax was that by the end of the phase-out in 2018 the absence of the old tax would stimulate business growth and increase the tax base, which in turn would generate additional property tax income for local school districts. School districts were under the impression there would be continued support or reimbursement from the state in this area, but with a deficit of billions of dollars, these hundreds of millions of dollars are in jeopardy for schools. This change and lack of replacement of this revenue for high wealth districts has dire financial implications for some of the most excellent and recognized school districts throughout the State of Ohio.
Business tax: Issues.

In discussing business taxes, the school funding experts talked about the transition from the TPP to the CAT. Peter Bates explained how restructured tax policies had created less revenue stating, “the legislature redid the tax structure. Now, they put the CAT Tax in place of the Personal Tangible and the Corporate Franchise Tax. And the CAT Tax isn’t producing what was anticipated, and some of the Tangible Personal reimbursement money is coming out of the general fund of the state of Ohio.” Paul Tate expressed concern about the transition for those districts losing TPP:

Good luck to those districts that are losing (TPP). You know, it’s going to get phased out at some point. We’re trying to find, you know we’ve been lobbying for permanent replacement for the CAT Taxes that were attached to it. Well, it’s not coming in at what they thought it was going to come in at. They want that money, they need that CAT Tax to balance the budget. So that’s the low hanging, the Tangible Personal Property is a low hanging fruit because if they don’t have to pay it back to the districts that helps them balance their budget.

Matthew Drew made similar comments regarding this business tax transition:

Well the CAT can replace it (TPP), but the CAT is ear marked for the general fund. It’s not ear marked to replace it now. We’re starting the decline I think next year. They extended the 100% to “hold harmless.” But we’ve got, it’s still in permanent law but it goes down. If they don’t do something it’s going to be a big jump because it’ll go back to the old law (HB 66), and where it’s going to go,
is it is going to catch up to where it would have been on the phase out? They’ll be a big loss in reimbursement if they don’t do something to this piece. There has been legislation introduced to make the CAT Tax, the CAT Tax has already been made permanent for schools but it hasn’t been made permanent to replace this TPP.

William Holt even mentioned the exceptions to the CAT further reducing revenue, “I don’t think so (CAT enough to replace TPP) and again, we’re beginning to see exceptions grow to that. The more exceptions there are, the less money is collected.”

Other expressed concern about the tax policies and questioned the transparency of the collection of the CAT, as well as implications for local taxpayers. Neil Johnson said:

Well, my first immediate thought on it is, if you want to create a business environment in the state of Ohio, where Ohio businesses are not taxed as much as they’re perceived to be taxed vs. other states, all you’ve done is substituted one for the other. And the thing that I don’t know right now is, I have not seen the receipts from the CAT Tax. At least when the Tangible Personal was being paid, it was being paid to school districts where you could see what was going there. I know business people, business owners who pay the CAT Tax, and when they tell me what they pay compared to what they used to pay, I wonder where it’s going, and I don’t see any revelations about what the receipts are and where it’s going.

Wade Daniels explained his thoughts:
That difference (less taxes paid by businesses) has been shifted to homeowners so in my mind Tangible Personal Property is one of the biggest reasons for this last accelerated shift in tax burden and ought not to be allowed. When the Tangible Personal Property Tax is fully phased out in 2018 (now 2015), our district is going to lose 12 million dollars a year- almost 12% of our operating budget so we either have to cut expenses or ask the homeowners to pick up what used to be a business responsibility. So I think the phase out of that is just another indication of this undeclared tax burden shift from businesses to homeowners. I think if the discussion were ever put in those terms, we wouldn’t see it happen.

Frank Hobart further elaborated on the dilemma and the strain being placed on localities and school districts:

That’s (TPP) a very big issue and a very thorny problem because what’s happening is at the same time you have a lot of uncertainty over what’s going to happen with state aid, we have also had districts whose local property tax base has really shrunk significantly because you have lost a really big chunk of it, and it was the chunk that the 920 couldn’t apply. So it could actually grow with inflation and so you know that’s really got a lot of districts between a rock and a hard place. You are saying at the same time you are being you know potentially cut my state funding I also got a shrunken tax base that I can tap into.

Frank Hobart elaborated on a potential stop loss to make sure districts would not be too devastated and explained, “One idea I had for, looking at how to deal with issues like
this, when I did the report for Voinivich, you can do something where you can put in some kind of criteria that says nobody loses more money than can be an “X” amount from the of local tax base,” which would be based upon a certain millage.

**Business tax: Ideas.**

Multiple participants recognized the importance of changing tax code to deal with a changed economy, which is much less industrial based. Though within these same comments, the funding experts still expressed concern about the transition. Ray Juliati explained:

Yeah, that’s (TPP change) a killer. We’ll literally go under if we lose that. It’s 11 million; it’s 16% of our budget. I’m worried they’re going to grab it now. Tell me when my retirement date is? So, that’s two years. I mean, really, it is a terrible promise that was broken to us, that we would always have, you know, was not to fight the CAT Tax, to go along with the program, we’ll take care of you, blah, blah, blah. Well, it’s getting closer to replacing the TPP. Yeah, and it’s just in a little down period, but I mean, I guess I would be ok with it. It says, you know, you get what comes in. Well, why, my whole thing is, if it’s not enough for the schools, which it was intended for it to do, then cut the tax from business. Why are they taking the money? They just usurped the money from us. The state did for the CAT Taxes, will go to the state. The policy was to do away with Tangible Taxes and that was a good idea and to replace it with a broader, lower tax because you’re taxing, you’re not taxing profits, it’s a regressive tax. You’re
taxing inventories. I mean, back in the old days, when the economy went down, our revenues went up, because no inventories were moving. It was a regressive tax, because the inventory is just sitting there and you’re taxing them on it.

Evelyn Crouch was very supportive of the change saying, “TPP is a, is an anachronism. The Tangible Personal Property tax created a lot of wealth disparity and it also was bad economic development policy. It needed to go and the idea of phasing it out by the use of a subsidy, the state subsidies, was a good idea.” Vlad Dragich agreed with the change, although he is not sure businesses are paying a fair amount of taxes:

And, and you know because some of the stuff actually I agree with some of the stuff he was talking about was businesses portion of the tax burden isn’t as much as it should be, but on the other hand within business and why business complains so much is it’s unequal because it’s heavily manufacture based at that time. He talked a lot about the, the Tangible Personal Property, and how equalizing that was between retail, service industries, and manufacturing. And so, on the front end you have business maybe not paying their fair share of taxation but within that you’ve got certain businesses paying a higher percentage than others. So you’ve got the service industry really kind of getting away with paying no taxes.

William Holt also expressed concern, although he saw the problems with this tax, “I hated to lose it, but in some respects I, again, if I truly believe in equity, that was not an equitable tax. It was different for different kinds of manufacturing. It was different, it was too easy to evade by storing off out of state. There were too many issues.”
Financial documents.

Although there were obvious problems with the TPP, it was a revenue stream that needs to be completely replaced. Otherwise, there will be dire implications for districts with this type of wealth. In viewing the Five Year Forecasts of the districts of three participants who are still currently serving individual districts, the impact of losing the TPP from the original “hold harmless” amount (FY 2007) was certainly severe. The consequences of losing this revenue source ranged from 5% to 13% to 16% of the entire operating budget (ODE, 2011).

Tax Breaks.

With the political focus being on the concept of taxes and not raising taxes, the issue of tax breaks continued to arise. While experts understand the protection of taxpayers, they felt there needed to be a balance of protecting services. Many felt that creating a graduated scale or income test for the Homestead Exemption, instead of increasing the number of senior citizens eligible, could be a method to enhance the ability to raise local taxes but that it would be politically difficult. The reader is advised that the loss of local revenue from the Homestead Exemption traditionally has been supplanted by the state’s “Property Tax Allocation” amount. Also, participants described how the constant erosion of the tax base through political changes and legislation has created a very difficult and unfair situation for schools and local governments. Many did not see how continuing to reduce income tax and to give businesses continual tax abatements could help the state in the context of the large budget deficit. Experts questioned how
schools and local governments would continue to effectively offer services and determine what level was feasible.

**Tax breaks: Issues.**

Many participants focused on the amount of lost revenue due to tax breaks, both in individual income and businesses. Peter Bates elaborated, “And then the personal income tax in Fiscal Year 2006, we didn’t collect 357 million dollars because of the reduction rates of taxes and personal income tax. In 2007, we didn’t collect almost 800 million dollars, in Fiscal Year ‘08, about 1.1 billion, in Fiscal Year ‘09 about 1.7 billion” with the implication being that the school funding model could not be adequately funded with tax reduction policies. Evelyn Crouch declared, “Well, the state income tax, I will tell you what I think about the state income tax. I think that income tax is the fairest tax, and I think we should, we should not reduce it,” saying, ”I think our personal income tax has been very good. It’s been steeply graduated, which I think is fair. So, I think most people ought to be in favor of state income tax.” Ray Juliati was in agreement on these tax break policies, “Well, you know, we’re scheduled for an income tax reduction. And (Kasich) he’s going to go and let that happen, I’m sure. I mean, to me, that is so, if I were sitting in his position, I mean, the amount of pain you could save by not doing that and none of us are going to miss that money.”

Some participants focused on the help businesses have received at the expense of others. Peter Bates discussed his thoughts:
I mean, okay we’re going to reduce your taxes, we’re going to get a great business environment. You know what percentage of costs doing business taxes are in most businesses? A very low percentage, now, what a lot of businesses do they get rebates, they get tax breaks, property tax breaks. When that ends they go to another community. You know the state gives businesses money to create jobs and you know what, the attorney general did a study on this and found that they were creating the jobs that they said they were going to create with the state money. There is the people's money going to private corporations.

Ray Juliati agreed that advantages have been given to businesses, “Well, they’ve gotten, they’ve gotten tremendous breaks. They have gained so much over the past 10 or 15 years. It’s not criminal, but it’s not acknowledged either,” but wasn’t sure if he would classify it as unfair advantages, ”Well, I don’t know if it’s unfair, it’s just unacknowledged, you know, you’re going to have to save the public at some time. You realize that the private sector has their hands in your pocket too and that’s why some of these monies don’t exist.”

Tax breaks: Ideas.

One topic that was thoroughly discussed was the idea of a Circuit Breaker, or instead of providing all senior citizens with the Homestead Exemption on property value, creating a progressive, graduated scale based upon income. Paul Tate thought senior citizens were receiving an unfair benefit:
Yeah, they talked about that (a Circuit Breaker). I think what they did is sort of put the Circuit Breaker on hold and they gave the senior citizens all that additional Homestead rollback so you get it no matter what your age group is. So you’re going to get a $360 credit on top of the 10% and on top of the 2.5%, so that’s what they ended up doing. It’s been done and you would talk to seniors today, and they don’t even remember that it’s been done. So, you know that was a fairly decent reduction in your property tax, depending on where you at. My mom, was around the corner from here, her tax bill was $1,000, but you know only 50% of that is school so it’s $500, so it’s a $1,000 a year. I always use this one in class if you really, we all went to school here so, so if we were in school today, I’m in school, it’s costing the school district 10 grand a year to educate me. So if there are three of them in school, it’s 30 grand a year times 13 years. So add up the amount. I told my mom she hasn’t paid her tax bill and she’s paying my tuition off. And she’ll never pay our tuition bill, and I think that’s the piece that means we have to educate our own parents that they’re complaining that “oh I can’t afford this.” Well, you can’t not afford it. If your kid is in school, you’re not paying $10,000 a year for taxes for school… you go and buy that investment any day. I’ll buy you this $10,000 scholarship if you give me a grand. Yeah, sure.

Peter Bates believed it’s a tax issue worth exploring with his comment, “Well, of course, senior citizens already have a break. It’s again, it’s worth looking at and when we
promoted the constitutional amendment back in 2007 and 2008, we had a Circuit Breaker concept there. That’s fine, its tax policy issue what we ought to be focusing on.”

Others discussed the Circuit Breaker as being a fair alternative to the current practice, although they worried about some of the political implications. Gordon Marnes stated:

You know it (Circuit Breaker) is fair and I think that conceptually I am in agreement with that. Those folks just paid their way along the way. You know how you would design a program; maybe it is based on your income at that age as opposed just age only. Let’s see what you actually have as resource and look at a percentage of that and maybe there is a graduated scale concept. You hit a certain age and then there’s a graduated scale that you could exempt rather then just calling it Homestead Exemption with one big rush. There’s something that is inside of that graduated concept that is to a degree fair for people.

Evelyn Crouch explained her thoughts:

Well, on the one hand, sure, a Circuit Breaker would be more fair. In fact, Rich Levin, the former tax commissioner, always, always wanted to do that as far as, as long as I’ve known him for 30 years, but if there’s a certain political advantage in not needs testing it and you want, just like you don’t want to zero out all state subsidies for wealthy school districts, I mean, you need, you need to hold a political coalition here together. You need to have stakeholders who, who have a general interest in the policy, and so, I think it’s probably politically wise.
Personally, we (her husband and her) get the Homestead Exemption; we don’t need it.

Wade Daniels also agreed with the advantages saying, “All for it. Yeah Circuit Breaker to me would be a far superior model to the Homestead- the Homestead is based more on whether or not your disabled and your age and your income bracket. The Circuit Breaker puts some growth cap on how much you pay as a percent of your household budget.”

William Holt also agreed, “Well, I like a Circuit Breaker, because it does protect certain classes of taxpayers. There’s no sense with my income that I ought to be getting a Homestead Exemption, except I vote.” Neil Johnson went so far as to say it was not fair for him to receive the break, “I mean, I get it, and I know what it’s meant for. Somehow, it’s just not fair. I don’t know how to say it. Is it okay then for senior citizens such as me to get the break that other people don’t get,” even though he understood, “that’s (senior citizens) the most heavily voting element that you have in our society, and nobody wants to antagonize them. So, is the Homestead Exemption fair? Probably not. Are you going to get rid of it? No, because the senior citizen will be served.”

Though school funding experts saw the Circuit Breaker as a potentially fair measure, they had other concerns with the implementation, besides the political ramifications. Matthew Drew discussed his work for the state:

That was the Blue Ribbon Task Force. Now, what did Strickland do, he took that concept and did it for senior citizens. Now what we’ve got it’s the first $25,000 is exempt from school taxes, largest tax break ever for senior citizens, that’s the
kind of thing we need to do, whether it’s a Circuit Breaker. The reason we recommended that is because the Department of Taxation said it would be too hard to implement a Circuit Breaker, which was our first choice. That was our number one priority. We wanted to make the property tax less regressive by tying the income with the ability to pay. Property tax in 1850 was probably a measurement of ability to pay; it isn’t in 2011. So, if we tied to income tax by saying, “we’ll assure you that you’ll never pay more than a certain percent of your income in property taxes.” They were concerned about being able to administer that process, and then we came up with, “Let’s just exempt the first so many thousands of value of the home, that’s a little easier to administer in terms of that piece”. At least on the senior citizen that’s been done, that’s a huge tax break for senior citizens.

Frank Hobart elaborated on the difficulty of the Circuit Breaker, instead of just having a basic property tax exemption:

The Homestead, expanding the Homestead was one of the first things Ted Strickland did. I really thought it was a bad idea but it’s much simpler, they don’t have to pay any kind of a needs test for it you turn 65 you get the thing, and… but that (using a needs test) from a policy standpoint, I think that would be better. Let’s say an older, wealthier person he doesn’t need the Homestead Exemption, he gets it anyway… but it’s the Circuit Breaker, that’s probably the political feasible way to go, and it’s true I mean, you do need to verify people’s incomes
and there is an administrative cost to that. It is more complicated probably than it should have been.

Vlad Dragich also could see both sides of the issue and the potential difficulties in implementation:

It’s (Homestead Exemption) an income tested, wealth tests reimbursement. I probably, I mean, I probably won’t be jumping up and down to do it. It wouldn’t give me heartburn if it were done. I’d have to see the numbers and who is affected. The positive to it is you’ve only got so much money to do from reimbursement and certainly helping seniors that really are truly on a fixed income and can’t deal with any inflation. I think you have to do that. The problem with income basing it or income testing is if you continue to drive seniors out of the state because other states, I think it just becomes a problem. And if you have, I would think in affluent districts that could be very bad. Because I mean they tend to have wealthier seniors, but in the mind, because they’re not in their income gaining years they may not have flat income like the person that’s just living off of social security, but in their brain they have flat income so they’re going to be more resistant to a tax, and so the Homestead does help. So I guess I’m saying as long as you continue to have the system, you have you got to be careful how you do that. As long as you’re going to make the Upper Arlington’s, Hudson’s, Worthington’s go back to the ballot every two to
three years you got to be sensitive to the issues that causes them to lose and that could be one.

Based on these comments, the concept of a Circuit Breaker in the tax policy should be explored as revenue source and a progressive tax policy that protects those that need it. While taking into account the income of senior citizens appears to be fair, it would also be wise to balance other factors, such as the difficulty in the process and the politics of local voting.

**STATE DISTRIBUTION ISSUES**

**Fully Fund Priorities.**

With economic times being difficult and transitions between funding versions being uncertain, participants were clear about what they expected from the state. They thought it was important for Ohio to be more focused in the formula and to define exactly what was necessary with full funding in these vital areas. In fully funding this smaller number of priorities, experts felt that teachers and the classroom environment should receive most of the money to impact point of service and have the most impact on student achievement.

*Fully fund priorities: Issues and ideas.*

Participants discussed the concept of defining and funding essential services for education and gave support for Strickland’s attempt in the OEBM and past work completed by Odden and Picus. Peter Bates urged, “we appealed to the state to connect the dots, the funding level of a quality of education. We’ve put forward what we call the
basket, in 1999, the basket of essential learning resources which was an identification of actually what it was kind of a schedule of what good districts already offer.” He also added two comments in support of Strickland and the OEBM stating, “now I’ve kind of given some study to education funding from 1802 this way, my opinion is that Strickland was the first governor that ever really tried to connect the components of high quality education with the funding mechanism” and, “the Evidence Based Model, it was the first hope that I saw of connecting the dots…the needs of education, the needs of kids with the funding level,” which he views as crucial to creating a thorough and efficient funding system. He explained that:

A “thorough and efficient” system, you’ve got to have so many teachers, so many counselors, so many psychologists, you’ve got to have certain state of technology. You’ve got to have materials, supplies, you’ve got to get the kids to school, and you’ve got to have lunches for some kids. Now, so the state needs to identify, what it is that kids need and that’s what Strickland is trying to do, identify those needs. Then put a price tag on those needs.

Paul Tate agreed with this necessity and also gave support for what Governor Strickland attempted:

That’s what I think and I would give the governor (Strickland) credit. I think we’re trying to create a model that’s true. Now, if there were things missing from the model when they first put it out, that we’ve been, you know, now the goal is to get that model to be more comprehensive. So, make it comprehensive, make it be
accurate and don’t squelch at the number and then at that point, then reality steps in, because, you know, “if we could only fund this.”

Evelyn Crouch certainly gave credit to Strickland for having a rationale for funding, although her support was not unequivocal, “So, the OEBM is a change from that (residual budgeting). It’s really trying to have a rational basis for why, for why there’s a number. I think it’s a positive, but I mean, in the sense, well, that’s hard to say. In the sense of, you know, having a rational reason for doing what you’re doing, it’s a positive.” Vlad Dragich was also not completely supportive, but agreed with creating a basket of services, “So, the Evidenced Based Model I think took a good chance to say this is what the model school district needs to make sure that kids are learning at their highest levels. And then cost out at what that needs. So, it was at a market basket to a point. I mean I don’t think it was a full market basket. But I think it was to a point” and also, “The Evidence Based Model, the reason we liked it in the way it was is that it really got its services for kids no matter where you were. It really talked about, you needed core teachers, etc.”

School funding authorities also discussed the methods for defining and funding essential services to create a thorough and efficient system. Wade Daniels stated:

And that has been a newer evolution, which has led to part of what the governor’s done with the PASS and the Evidence Based Model. Again, the premise is, if I get what the governor did at a very high conceptual level, is he went out and found common elements in successful school districts and said, “If we fund these
elements that research has said has had a positive impact on the quality of education, then we’ll end up producing a quality education.” Some of this may be labels. Some of it was purely research driven.

Evelyn Crouch explained her thoughts on how the OEBM was derived:

Well, I think they tried to do what the court, what the court said (to address “thorough and efficient” clause). I mean, they had a whole list of, what was it, twelve things that we needed to do. So, I think that’s as close as anybody has come to try to figure it out. I think, you know, I thought the OEBM tried to do that. I know Picus and Odden pretty well and I know their research and I know what all that is based on and I think they’re reasoning is pretty sound. I think they’re critics say that, well, there’s no evidence that if you do all that stuff, that it’s really going to make a difference in test scores, you know, that you can’t, Eric Hanushek just testified in the General Assembly. He’s a big critic of theirs, saying there’s no good research that says if you put all those things together, it’s all going to work together and you’re probably going to spend way more than you need to. But, I mean, their point is, if you need a rational basis for what you’re doing, this is the best we have. So, I’m sympathetic with it that way, but as I say, I don’t think it’s ever going to get funded.

Along the same lines, Frank Hobart elaborated on the evolution to the OEBM:

So the system evolved, you finally end up with the system that we have had for this year and for last year the Evidence Based Model. In a way it’s kind of a
dressed up version of inputs approach. You are, instead of one way figuring out what the essential inputs are, is to put a bunch of experts together and you call it professional judgment and they say, well, we think we need class sizes of “X” and that we need professional development of this type and we need certain, we need to fund supplemental resources along these dimensions into the professional judgment for what the inputs are you know what costs. You know what Augenblick and what Odden and Picus have done, “we’re not going to rely on experts, we’re going to rely on research.” Well, the truth is that there is more research for some things then there are for others and they are substituting their expertise for a panel of expert’s opinion.

Matthew Drew had the same tone of not being completely positive on the OEBM and drew parallels to Odden and Picus as well:

No, I’m not completely positive on the OEBM, let’s put it that way. Because you know, there are a lot of things in that model. Let me talk about that model, let me talk about Alan Odden’s model. Which is not necessarily what we adopted in this state. Alan Odden said, “okay, if we fund these things based upon making sure that we bring things up to the average and do those pieces and fund what really works,” that concept this really great. Let’s talk about it and let’s base it on research on what really works. So we put it into the Evidence Based, some pieces that really have some reduction in class size or at least ratio class size, or at least ratio, but in terms of the ratios and so forth it was to be funded.
While Paul Tate also spoke of the research behind the OEBM, although his comments were not fully supportive either:

Well, again I could live, I could make a case for both the old model and new model (OEBM). You know the state, the model that they’re using now, they believe that it’s evidence based because it’s researched based because they’re into counting kids based upon class sizes. That’s how they’re coming up with the number of teachers and you know, I don’t have problem with that. I think that’s an adequate way to create a formula and get back to counting there are 100 kids in a grade level, and you should have five teachers, and you should have so many Special Ed teachers, special area teachers they all cost a certain amount of money.

State task force data.

The common trend in the statements is that the school funding experts support the idea of using research or some research based methodology to derive a funding formula that defines and funds the essential services necessary to educate students. The 2005 Blue Ribbon Task Force also addressed the concept of connecting essential services with a funding component, as one of their recommendations stated, “School funding levels should be based on ‘inputs’ – the ‘evidence-based’ strategies, services and programs that are proven effective in enhancing student success” (Executive Summary) with the idea of funding pieces that are proven to help students learn.
**Fully fund priorities: Ideas.**

A few of the participants focused their comments on creating targeted assistance in a system that fully funded priorities. Evelyn Crouch discussed the need for early childhood education, “In the 1989 Governor’s budget, that was following the Blue Ribbon Commission and one of big recommendations was for early childhood education…they were convinced about the research involving early childhood education.” Neil Johnson elaborated on this concept for students who need summer programs:

I could do that in a selected way, not with a total universe of children in a school. But I could pick out the 30, to 50, to 60, to 70, to 80 kids that you get, you give me the resources, I could bring them up to here. The first thing that went wrong is that he went home for the summer, and I’ve proved, I mean, I gave the research to Congress and Washington, I mean, it was written up across the country where there’s the fall-off that happens to these kids between May and September because I used to retest them in September, the same kids, to show what the fall-off was. But then, I could take the kid, and get them again to where he was in May, but then there’s the fall-off. Meanwhile, nobody wants to fund summer programs for these kids. I just feel that if, as long as we, I’m going to use the word “targeted assistance,” as long as you target the assistance and keep it consistent and pay for that, you can bring up the achievement of those children.

Matthew Drew also discussed assistance targeted to help students most in need:
But conceptually let me go back on the original statement. I like the concept (OEBM), how can I not sell that to my community. Even if I have a “folks we need this because this will work,” but there are not unanimous data that the smaller ratio on the primary grades will be better for kids when those of us in education know that well. That was a part of our lobbying was our 15 to one ratio we got it in a one point for the urban school districts it was going to funded by at that time called DPIA.

Participants also spoke about the need to fully fund the crucial priorities, including impacting point of service or the teachers in the classroom. Gordon Marnes stated his belief:

If you look at the PASS, there are so many components. I think we need time out on that, a full time out when using the time out scenario and say, “OK this was noble that we went around and grabbed a lot of input from folks but we never really prioritized those but what has the greatest weight, the greatest impact, greatest ability to touch our point of service which is our student-staff connection. Which of those, lets rank those, let’s get them there!” Once that is done, you should have three to five but then you could say in a study manner, let’s look at those three to five.

In his mind, “I would go, I would use conjecture this way, looking across those, I would want to go one at a time and say which one hits point of service, student to staff, the best and strongest, which group of those does that,” and he even mentioned, “Do we establish,
and this is really radical, do we establish a uniform salary schedule statewide?” because,
“If we believe that the teacher is the greatest significant impact to student achievement,
which we would believe that there are studies that say that. The better the teacher overall,
the greater your results typically are in that subject matter and in your relationship with
students is established too.” Neil Johnson also supported impacting the point of service
with funding and stated, “I believe personally in what I call direct services to children,
direct targeted services to children as opposed to something that’s indirect. I have to see
it. I know what core teachers are in the new (OEBM) funding formula, they’re the
teachers that are in the classroom everyday five or six periods and so forth like that.”
Wade Daniels also discussed the power of good teachers and the need to fully enough
teachers to make a difference:

Alright. First of all, we’re accepting where we are in the evolution of our state in
public education, and that any discussion about funding reform is going to be tied
to educational reform. We believe there’s an overwhelming body of research that
says the single most important element in providing a quality education or
improving the quality of education is a classroom teacher. Forget building
managers, forget lead teachers, forget everything else. Get a high quality teacher
in the classroom with a bunch of kids, you can give them a piece of chalk on a
chalkboard. They don’t even need a Smart Board. They’re going to do magic.
So, that was the premise that we built everything around that we accept that
funding has to be tied to high quality education or higher quality education.
What’s the single most important thing to fund to make that happen: classroom teacher. So, it’s as simple as that.

William Holt wholeheartedly agreed with the idea of funding teachers to impact students, “what we’re attempting in our approach as compared to the current approach is to focus on the classroom and there’s no better way of focusing on the classroom, than they funding teachers.” He elaborated on the concept of funding teachers and having a state teacher salary schedule:

So, it does work, but to me, that’s inequity (to not have highly trained professionals in every classroom) because if we’re going to get any true educational reform, it will come in the classroom, not the superintendent’s office, not the curriculum director’s office, not the principal’s office, although the principal will have a more, will have more impact in this approach than any other approach, but it’s the teacher and the research says that in a number of ways, in a number of languages. The quality teacher is the only true reform.

The concept of creating a state teacher salary schedule will receive further discussion later in this section, but the comments obviously reveal a passion for finding a way to fund quality teachers for all students.

**Allocating Set Aside Funds.**

Some of the experts discussed the issue of allocated funds with money being set aside for certain purposes. These participants were supportive of the State of Ohio defining certain amounts of money to be used for specific purposes, as long as the full
amount of money was available. A few of the participants strongly advocated for creating a new funding formula that is based upon teacher allocation with a state salary schedule that is front-end loaded with raises early in a teacher’s career and that reaches the maximum salary within 10 years. This type of competitive salary schedule would be attractive to young professionals leaving college and would meet the “thorough and efficient” clause of the state constitution, as all teachers throughout the state would be paid the same salaries, regardless of their district.

*Allocating set aside funds: Issues and ideas.*

Gordon Marnes professed his positive outlook on setting aside funds for certain purposed, as has been done in the past:

I’m happy that they’ve made some changes addressing, as you look through the old SF-3 and it moves into PASS, they’re trying to help you with your instructional process a little bit more, that, what we used to call 412s, which are the set-asides. There was a concept there, where you’d have to set aside “X” percentage of your budget, 5% for instruction, like another 5% for technology, and there was another set-aside wrote out right in front of me. The idea there was to mandate part of your budget to be locked so it wasn’t subject to negotiation. There was an opportunity there. That was decent in the strategy, but there wasn’t the flexibility to say if you got into dire straits, and you still didn’t have negotiations that was increasing, couldn’t you use that money and get after that?
So the 412’s were, I think, an attempt to try to help folks offset some of their needs.

The 2000 Joint Committee supported the concept of funds being allocated and set aside for certain purposes and stated that, “Sub H.B. 412 set-aside requirements for textbooks and instructional materials and capital improvements, as modified by Am. Sub. S.B. 345, are funded” (p. 29) confirming this system is funded through the percentage of the base cost requirement. On the other hand, Wade Daniels believes the OEBM went too far in allocating how funds are used, “For the first in my career, they’re getting very specific about individuals to be hired and placed in districts. It’s been...this is much more earmarking of dollars and how we provide local education than I’ve ever seen before. That, again, I struggle with that because the premise is, this will make everybody better.”

Along the same lines of discussing allocating funds, the comments turned to allocating state funding based upon teacher allocation. Wade Daniels discussed his work, “Right, we have a study group that has developed a teacher allocation funding model and proposed it be used in lieu of the old foundation model and the current Evidence Based Model,” while elaborating:

There are six states that use a teacher allocation model, which says that the state is responsible for paying for a predetermined number of teachers based on state ratios of class sizes, which vary from primary to intermediate grades to middle school grades to high school grades. But the funding is based only on that and
there is not a mandated local control it’s sort of like what’s not funded by the state, by the number of teachers then becomes the local responsibility.

While this type of allocation of funds towards teachers may seem effective, and it may prove to be, there are possible pitfalls in what exactly is funded. Wade Daniels alluded to the other issues, “That the state, at least then, our initial proposal was that the state would pay for (salary schedule for teachers), retirement, and worker’s compensation, and Medicare, mandated benefits, but not the health care.” Matthew Drew explained some of the debates in the pass on fully funding portions of public education, such as teachers, and the potential issues with this type of system:

It (state fully funding education) hasn’t happened, has anybody even been talking about the piece? In fact, the only time it happened. Not happened, talked about, was one key legislator and Chairman of the Committee said, “okay, we’ll fund the whatever, the $5,000, we’ll fund whatever the foundation level is and so forth but we’ll tell you what that funds,” which is sort of like we’ll make it like the Evidence Based Model funding. Then he came up with this list, “we’ll fund, classroom teachers and support teachers and we’ll let the local taxpayers take care of extracurricular activities administrative, take care of the building and all of those kind of things.” We looked at that and said, “if you don’t make that adequate to keep us off the ballot, we got to go to the ballot to what ask people for a tax increase to fund administrator and extracurricular activities”. That was a
play to get by with no additional revenue for this part; thank god he’s out of the legislature now.

**Efficient Operation.**

The idea of efficient operation also arose when discussions focused on state distribution of funds. Participants had mixed reactions to the concept that consolidation of districts would save the state large sums of money or would be an answer to the budget crisis. Experts agreed that in some small districts, consolidation would be a good idea for efficiency but that politically this type of change would not be welcome and may be infeasible. Some felt that certain districts were too large and could also be divided. The problem they foresaw in consolidation is that there is not an enormous amount of overhead in the central office, so there are not too many positions to cut in consolidation, unless districts are able to close and sell school buildings. They thought that sharing services like Vocational or Special Education and sharing purchasing of health care, utilities, etc. were already occurring and that more of this type of collaboration should continue to in an effort to operate even more efficiently.

**Efficient operation: Issues.**

One very complicated issue the state would face when viewing consolidation to operate more efficiently is the human issue of emotion. Participants were wary of community reaction. Vlad Dragich stated, “The problem with consolidation is that as long as system relies on local taxes, consolidation becomes a problem because the consolidation…there is maybe good business reasons, but it is a community emotion
Matthew Drew reacted this way to consolidation, “Well, there will be John Deere tractors on the state house lawn you know until that there are two school districts. I am not saying this (consolidation) shouldn’t happen, but we need leadership to have a state level.” He also added comments from his own experience in a consolidated district:

I was superintendent in the district that had been seven districts, then it was five, then it was three, then it was one. Now I wasn’t there when it was seven, five, three, but I was there when it was one and I could tell you when in the early years of the district people were still counting how many kids were playing in the basketball from that town versus this town.

The school funding experts agreed there might be some savings at the central office level, but there was disagreement on whether this type of savings was enough to justify the consolidation. William Holt said, “I think we could save money through consolidation. I think we probably ought to have only about a third of the number of school districts we have now. The savings is mainly in the top end of the administration because you’re still going to need the same number of principals in each building.” Ray Juliati agreed that there might be small savings in the central office but did not think this type of action was the answer to school funding:

It’s not consolidation (answer to adequate school funding). There’s just not, there’s no monies in there. There’s just not enough savings in there to do that. There’s just not. You can combine whatever you want to combine and you know, you’ll save a little bit central office wise, but not enough to where you would say
to the community, well, we’re to save 300,000 out of an 80 million dollar budget.

They’re going go “well, we don’t want to lose our local schools, so we’ll pay it.”

Paul Tate concurred, “Well, then, so we’re going to save money in the central office.
Well, there’s probably some efficiencies out there, but it’s not going to solve an eight billion dollar budget hole.”

The participants also discussed some of the research involved with the concept of consolidation of school districts. Peter Bates explained, “There is a reputable study that will show, beyond that, people aren’t excited about consolidation. In some consolidating districts after 35, 40 years, people are still upset of losing their little identity,” while adding, “You take a little school out some of these towns these little villages, take the school out and you’ve lost the economic base. So you take the school out of a village and you end up with a loss of the grocer, the local, you know. No, I think you lose in a consolidation, in more ways than you might gain something.” Evelyn Crouch also mentioned efficiency studies:

But there’s also this, this organization that is run by Leone, what’s his name, Podesta, the guy that was the, the chief of staff for Bill Clinton, he has a national something about Americans for Education. It, I, those names all get mixed up, but anyway, they came out with a productivity study a month or so ago and I just, I don’t believe it. I don’t believe productivity studies in education are very helpful. I think districts are pretty efficient with taxpayer money, given that they are so, in this state, especially, that they are so accountable to the public the way
we have levies. I am very skeptical that there are a lot of efficiencies to be gained.

Efficient operation: Issues and ideas.

Many participants were leery that any real savings could happen with consolidation and at what cost but were more supportive on shared purchasing and services. Peter Bates explained:

Well let’s look at Cleveland. How much do they spend compared to Meigs local, or say a small district in northwestern Ohio. They probably spend around $8,000 per pupil, Cleveland spends $15,000. There is no savings in consolidating school districts. Some of the most efficient and effective districts are really small districts and, in Putnam country I think there are I think nine districts. So they field nine basketball teams, if they were in one high school they’d just had one, is there any value in basketball to kids, any value on the kids being on the football team? Do we want to eliminate those kinds of opportunities by consolidating, even if you could save a buck? If you put Putnam county all together you’d eliminate the superintendents, you’d have one superintended higher paid and several assistant superintendents. Now shared services there are a lot of newbies to the scene. “Well, we need to share services,” well okay we’re already co-op purchasing, health care, joint purchasing of electricity of natural gas. Are there other ways that we can save, yeah, I’m all for it. I’m going to be talking Monday to some
superintendents about a county-wide transportation system as possibility of saving.

Evelyn Crouch’s comments mirrored Peter Bates’ message:

Unless we go to like county-wide systems or something like that, which I suppose could happen, I don’t think it’s a good idea. I don’t think our government’s structure is the problem. Some do, some people think we have too many school districts; they’re too inefficient. I don’t think that’s true. I doubt it; I’m very skeptical. It’s certainly a proposal that’s been kicked around ever since I’ve been here and I don’t think, I don’t think you would save a lot of money. I think school districts already have explored, see, I go to the, one of the things I do right now is go to the Legislative Committee and the School Finance Committee of OASBO, the Ohio Association of School Business Officials. And that’s how I kind of keep up with what’s going on and what the local districts are thinking. I hear the treasurers talk about these things all the time, and they are pretty convinced that they have found all of the savings they can find with sharing operations. They already cooperate with each other on purchasing agreements and things like that whenever they can.

Frank Hobart shared in the skepticism for consolidation saving the state much money in funding and in supporting shared services:

I, to be as diplomatic as I can, but I will say I am very skeptical that you can save a lot of money by consolidating schools. The amount of money, if you
consolidate two school districts, who can get rid of a treasurer and a
superintendent. In reality, I think it’s hard to get rid of people in a short run.
Over time, maybe those people will leave and you won’t replace them but I mean
by in large, there’s a certain amount of work that needs to be done and taking two
school districts and putting them together isn’t really going reduce that amount
work very much. Unless you can close some buildings, you are not going to save
any money by consolidating school districts. I mean you look at big districts and
the number of administrators they have. Well, they will have an administrator
over each area because Columbus needs somebody just looks at transportation,
just looks at food service, just looks at Special Ed and just looks at these other
things in a smaller district you have got those people who now, the person who
does building operations does food service and probably who worries about
transportation, and so if you make a bigger district instead of having one person
that does will take two people will do four jobs in each of the districts and then
you are going to put them together. You think one person would come in and do
those four jobs? I doubt it, I mean I think it’s a huge red herring, it’s something
that sounds good but I think the reality is there’s not very much money by
consolidating and there’s no evidence that you did so… I mean sharing services is
a better idea, because you can do it without having to alienate everybody like you
would when you combine school districts right. So if you can do things where
districts can work on sharing, purchasing or sharing now building or what not you
know then those things should go on and maybe doing some work with the school board association but try to identify areas where that’s already happening. Lots of people don’t think of it like this but that’s what the JVS system does it’s shared services. Okay it’s what the ESC does, it’s shared services. The reason we can have 600 school districts in the state is because we got these mechanism for allowing small districts to efficiently provide services through a shared service arrangement like a JVS or an ESC if they want to be able to do it. So if you are going to tell me, okay we have got 600 school districts and every one of them is providing their own Special Education, I would say that’s insane or their own Career Tech that’s really stupid, but that’s not the system. We have we already do shared services people just don’t have one, and it doesn’t sound very good to say, “Oh gee, what you are saying is we can have a large number of school districts because we have got these extra layers of bureaucracy.” If that’s how you want to put it that’s how you are going to look at it there probably isn’t anything else that would change their mind, but the reality is that what I think our system does and what the consolidation people completely failed to understand is that you will provide higher level of services in localities because you will be closer to being able to match the preferences of people who live in your area. And if you read anything that talks about consolidation, it won’t mention that. I mean if you are focused on this narrow definition of efficiency which is it can’t be cost effective to work in a district this small, but if you have the shared service
environment you can be and the fundamental question about the finances how you provide public services to match people’s needs and the answer to that question is by having small units of local government. That’s the answer to units of recognition and there’s a record the Brookings Institute in Greater Ohio Policy Center, just followed up about a year ago and they did study consolidate 600 schools, 600 to 400 schools and it really was a bit vague. They literally didn’t make an argument for why that was the right number. They showed absolutely no understanding of what shared services arrangements were in place right now and why consolidating fewer districts might actually cause some problems, so I mean we are going to lose.

**Efficient operation: Ideas.**

Other participants were more focused on the idea of collaboration and sharing services to help with operational costs. Wade Daniels explained, “I think there’s a lot of opportunity and even if you don’t want to fight the battle of whose high school stays open and whose high school closes, you could at least consolidate operational expenses. You could have one county-wide school bus system, one countywide accounts payable or accounts receivable or payroll system as a way to open the door.” Gordon Marnes also leaned towards collaboration, “I think a lot of us collaborate, if you had to ask me between the two words, consolidation and collaboration, I lean towards collaboration as your first step, what can you do to collaborate with services, activities, personnel, etc. Start there before you just decide to say let’s consolidate and make all one district.” Vlad
Dragich agreed, “Now, I think from our side we’d better be smarter about sharing services about devising regional services that are cost efficient” without completely supporting consolidation. Paul Tate mentioned the actions already being taken to save money currently:

Because people don’t realize what we’re already currently doing in order to decrease cost. I’ve been around for over 30 years, you know, all my years of superintendent and principal, we’ve been pooling to buy paper and buses and natural gas and you know electrical energy and god knows what, whatever. Geauga County leads in Special Ed, where we place kids regardless of boundary, based on programming. Many are doing collaboration on resources or Career Tech programming.

*State task force data.*

The 1989 Gillmor Commission in the Ohio General Assembly studied the concepts of consolidation and collaboration to help districts operate more efficiently and confirmed the points raised by the school funding experts:

After examining both sides of the debate, the commission concluded that the savings in consolidation were uncertain at best, inasmuch that some costs—salaries of those individuals who remain and transportation, for example—would go up even though others would go down. Moreover, there might be intense local opposition, which might result in less public support for schools in the consolidated district. Most important of all, learning might not improve.
The Commission concluded that when there are circumstances in which it is desirable, the local people will recognize those circumstances and will combine their districts voluntarily, as already permitted under Ohio law. As an alternative to consolidation, districts can achieve substantial savings through cooperative purchasing of personnel, goods, and services—as already permitted under Ohio law—and as widely practiced.

The Commission also concluded that there are circumstances in which the opposite of consolidation—that is breaking up large districts into smaller ones—would improve productivity by increasing learning without increasing costs. Again, local people will recognize those circumstances and will break up their districts voluntarily, as already permitted under Ohio law (p. 1).

The 2005 Blue Ribbon Task Force did not make any recommendations with respect to consolidation but did offer a suggestion for collaboration. This report recommended that the State become further involved with helping schools with cooperative purchasing of health care with the statement, “The Ohio Department of Education should consult with affected stakeholders and make recommendations to consolidate health insurance purchasing for public school employees,” due to the fact that, “Significant cost savings can be gained through a statewide or regional purchase of health care insurance for school employees” (Executive Summary).
Uncertainty in Funding.

There is a tangible feeling of frustration among school funding experts with the current status of school funding in Ohio. With the transition from the foundation model to the phased in OEBM to Kasich’s potential new model next year and a large budget deficit, schools and organizations have little idea what to expect. Essentially, in three years time, we have moved from a foundation model that focused on equalization to establishing a model that delineated the components of a high quality education to no plan at all (Kasich’s 2011 biennium budget, which makes no connection between money allocated and educational needs). This lack of ability to forecast impacts their leadership. They described how there was much uncertainty regarding OEBM and the PASS (the equivalent to the foundation model’s SF-3) and how this plan was somewhat merged with the foundation model during the phase-in.

The state legislature has still not addressed the “thorough and efficient” clause from DeRolph, and most feel there is a need to create a state definition for clarity. Indeed, constitutional challenges and subsequent court decisions create definitions not provided by written law. As stated before, many experts gave Strickland credit for attempting to create this definition with a minority view being that the OEBM, given time, could have been the funding model to address the problems from DeRolph. OEBM was an attempt to match the components of a high quality education with the funding level and distribution system. If OEBM is not the right model to accomplish this task, it is incumbent upon the state to connect the dots with some other mechanism. The Kasich
funding plan for FY 12 (bridge formula) is a non-plan. It connects with nothing in terms of educational programming, although a new funding plan is set to be unveiled some time in the fall of 2011. Regardless of state policy regarding local property tax revenues, the state is absolutely responsible for a thorough and efficient system. Local taxes should be considered a mere supplement to state revenue. Students should be guaranteed high quality opportunities regardless of HB 920, protection of taxpayers, ability to pass levies, and other potential roadblocks to adequate school funding.

Uncertainty in funding: Issues.

The target of frustration by the school funding experts varied, although many had a difficult time with the transition to the OEBM and dealing with shifting funding models. Wade Daniels stated, “That’s kind of how I’ve looked at it (OEBM), too. And it’s, for me, especially right now, trying to do the research it’s frustrating because I don’t know the implication. It’s not really funded, and it’s not really happening yet.” He also had a difficult time understanding the notion that school performance was “broken,” but instead wanted adequate funding to match the performance:

Now, I’m going to forget the numbers, but you can look it up real easily. The grade cards that just came out this fall, the number of “Excellent with Distinction,” “Excellent,” and “Effective” districts is over, I think almost 80% of all school districts in the state of Ohio. So, in my simple numbers mind, I’m saying if 80% of the districts are either “Effective,” “Excellent,” or “Excellent with distinction,” what’s broken? But yet, the whole premise of the Evidence
Based Model and the discussions on school funding is we have an unacceptable quality level in education, and we’ve got, any new money has to be spent to do something to make it higher quality. And I’m saying, but, 80% of it’s already high quality. So, what’s broken? Why are you imposing…?

Vlad Dragich commented, “You know we’re in this transition period (from foundation model to OEBM) which is maybe not going to last that long and we’re going to transition back to something else.” Gordon Marnes talked about the multiple funding versions in his career, “And back then or I’ll say at that time, we were on what was called an SF-12. Then it became an SF-3, and now we’re into the PASS formula. So, there’s been three versions in my career’s time. Each one, had a connection to state funding, local funding, the relationships between the two, and then what would happen with budgeting connected to that.”

Other participants focused on the complexity of school funding and the lack of sustainability or stability. Ray Juliati expressed his discontent by saying, “And there’s so many changes and hold harmless parts and initiatives that make it so unworkable for one system, that it needs constant input by legislatures to kind of make it work.” He also explained the uncertainty connected with political change:

I mean, it’s a web that can’t, I mean, it’s been spun so many different ways, there’s no, there’s no methodology to it. It’s just whatever we do and we’re in one of those cycles that, you know, Strickland was in, he goes out, everything gets
changed. Kasich’s in, he’s going go out at some point, everything is going to get changed. Nothing builds off, there’s no sustainability.

Paul Tate’s comments mirrored concern about transition and yet another funding model, “Well, if Kasich comes forward as the new governor, he’s already said that OEBM is out. So the question we’ve all asked, “well, what’s coming back?” Well, unless we’re going to come up with a whole new formula, we could have the SF-3, it could be right back where we started.” He also made conjectures about the possibilities:

If he’s (Kasich) the new governor, they’re going to create a new model, what do they think they’re going to create? In what other way are they going account how much money, how many. You know there are 4,000 kids in a district, how else are you going to count it? You can count it by program, or you can count it by the number by each kid individually. My sense is he’s going to go back and count it by individually, my sense being, he’s going go back and count it by individual kid. It’s just in their mind an easier way to track the numbers in the count.

Other school funding veterans, like Matthew Drew, explicitly expressed their frustration:

I’m discouraged by that because I thought we’d made a lot of progress now I don’t know where we are right now. I think that the concept of the Evidence Based Funding model makes a lot of sense in terms of funding what works and doing legitimate research. We testified in support of appointing a commission to study and make recommendations to the legislature. But what we had in mind from this organization was that testimony was given years ago was a legitimate
commission of experts, whoever was to make recommendations. What we got, they appointed a commission last year and so forth and appointed a representation from every organization God every created in the state of Ohio and in my book they got nowhere, they didn’t make any meaningful or real recommendations of their year long study of the pieces because we had.

Others, like Frank Hobart, remained hopeful that the process of improvement would continue during the multiple transitions:

I mean when you think about it that way (looking at all of the needs of individual students), it’s not surprising to say we have been working on it for 20 years and we haven’t solved it. No, we will probably be working on it for 20 more years and still haven’t solved it, but if you can keep improving on it that’s okay, and I mean you can make it better this year than last year, that’s fine. So we have had the foundation formula, you know, used to be called the SF-12. Then it was called the SF-3, and then there have been changes that have been made and added things like building blocks and then at one point the legislature decided that they didn’t like the output-based approach. They wanted to do something based more on input, so they can put these building blocks as a way to figure that out and probably I think that, that was probably an improvement to the extent that one problem with the successful schools method was the you were basing it on a set of outcome measures but those outcome measures evolve over time. They change the tests, they change the cut offs, they change the criteria, the school districts
have different cohorts of kids that go through, some of whom do better some of whom do worse, it’s kind of an inherit instability to applying it. In theory, let’s look at the schools that give us the outcomes we want and see what we spend. That sounds simple and straight forward and in practice there’s problems as you go from one year to the next and some schools drop off and other schools drop on a little bit of the funding it will go up or it will go down. I think the idea of saying let’s try to think about what we need, can we look at this successful schools figure out what they do, what could the essential pieces be? They haven’t placed a figure at what those cost; I think that from year to year that’s a more stable way to go about it yet but again, it’s fine to make the change. When the legislature made the change we had solutions, we had how to define even when they are supposed to think methods for using that kind of approach and again we felt that they kind of low-balled the cost. So, you know the system evolved you finally end up with the system that we have had for this year and for last year the Evidence Based Model you know in a way it’s kind of a dressed up version of inputs approach.

Regardless of whether experts were frustrated, disappointed, or still optimistic, it is clear that the uncertainty of multiple school funding models have left educational professionals with many questions and challenges.

Besides frustration with transition and definition, there was also uncertainty that arose with the issue of viewing the OEBM as a collision or combination of something new and the old foundation model. Wade Daniels explained:
Throughout the years this shifting and what it is we were trying to fund influenced what that base cost number was on a foundation model and over time that grew, but again it’s grown to be just over half of what we really spend, so while the governor will talk about if the Evidence Based Model were fully funded the state is going to provide more than half the funding, and there will be a decrease reliance on local property taxes. The Evidence Based Model is forced into a foundation allocation system.

Wade Daniels further elaborated on this collision:

So, I kind of get stuck on it, and then, again, the governor talks about an Evidence Based Model, a foundation model for allocation. What we do and 37 of the other states do is based on some amount per pupil times the number of students, less mandated local contribution with the difference being funded by the state. At the end of the day, this whole PASS report does the exact same thing. It takes all these bits and pieces that he’s identified that are research worthy of being funded, and then comes up with an amount, and then still goes back to what’s the tax base times the 22 mills this year, minuses it from that, and then the state’s going to pay the difference. So, the allocation model is still a foundation model: base amount minus local support, difference the state pays. That’s not changed a bit, and yet, we don’t call it a foundation model, but in reality it still is. And in fact, if you saw they compute an implied per pupil amount so they can do the transfer for charter schools. So, to me, this is still a foundation model of allocating state
funding, it’s just rather than having the base cost number of 5732, and saying that’s the base cost number, we’ve got all these bits and pieces we add together to come up with a total.

Matthew Drew made similar comments, “I think the foundation formula could work. In fact, I think the EBM is still part of the foundation, some people describe say you know it’s different for them. No, it’s not, all we’re running, we just come up with a different way to determine this alignment, that’s all.” Gordon Marnes explained a similar frustration, “This all doesn’t work now; it’s what I’m sharing with you. It’s a collision of different plans, so that’s why it’s chaotic. I keep a little notebook there and SF-3 for each line you can open that up and say here’s how that line was arrived at. It’s not so easy now in PASS so I don’t mean to confuse."

Some of these comments related to uncertainty in funding revolved around confusion over the OEBM and the PASS report, which replaced the SF-3. Frank Hobart explained some of this uncertainty, related to the ECF in the PASS:

When people from wealthy school districts would ask me about the Educational Challenge Factor and say, “is it that fair,” and say, “yes, you are being hurt by that and on the other hand though there’s another part of the formula which is helping you (lowered charge off).” So those two things you don’t think they were thought of offsetting each other so you can think of them that way. It might make you feel better if you feel like you being screwed by something over here while you are being helped by something over here. And so when the dust clears maybe you
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will end up where you are in a new place where it’s okay but people really don’t, people think of a higher standard for the formula than say, “okay, close your eyes and when it dust clears and hope your place is okay”. So I think probably in retrospect it would have been simpler to keep Parity Aid instead of using the ECF, but we may never know that when the model disappears after this year.

Wade Daniels talked about the challenges of making what PASS dictated a reality:

This new thing called a “school wellness coordinator,” again, is something brand new, and a “district health professional” is something brand new that we’ve never dealt with before, that’s not clearly defined. As you know, in our world, when you “operationalize” this concept, someone has to come up with pretty basic stuff, like, what’s the job description for a building manager? How much do you pay this person? Who do they report to? A lot of this stuff’s has to be sorted out, but all that we know is that these fuzzy things are in here. Some are funded immediately. For some, the funding is deferred…

Wade Daniels offered concerns about the content of what is dictated in PASS as well stating, “If we say we didn’t spend anything and they’re saying we gave you money for a required item, I think a lot of us are concerned it’s not a funding model, it’s a spending model, which was something we’ve never had before. If it actually happens completely.”

Other participants mentioned the uncertainty regarding the research in the creation of OEBM and PASS. Matthew Drew explained his thoughts:
For instance, the poverty factor that has driven us, the huge poverty factor in terms of how that’s done with that Educational Challenge Factor. So one of the funding factors in this piece is based upon the greater your poverty, the more you need these community liaison factors. The school district where I was superintendent had 3000 kids, based on their poverty would need to hire 12 of those people. I want to go to that board meeting when they hire 12 family and community liaison members in a district of 3000. And they don’t have some other things. I’m not saying they don’t work but who said that that ratio was based upon there is no research on that piece after that.

Frank Hobart also discussed the research involved and commented, “Well the truth is that there is more research for some things then there are for others and they are substituting their expertise for a panel of expert’s opinion, but you end up with an approach (OEBM) where a big difference is you don’t have that one number anymore right and it’s very confusing to people.”

One last area currently creating uncertainty in school funding is the state budget. The large deficit puts the state in a position of needing to raise revenue or cut expenditures with the latter being the preferred choice. Frank Hobart discussed this situation:

So, (OEBM) it may leave before anybody gets on it any moment and really nobody really knows what the new governor and the legislators are up to this year and what they are going to do this year. There’s even there’s a bigger budget
problem this year then there was in 2008. I mean, education’s largely insulated from the economy, but if all of the other areas of state government suffer, you got an eight billion dollar budget problem which needs to be filled and everybody is expecting this time around, education is going to get cut and so you know it’s going to be the same thing. Let’s say they do come up with a new model, no one’s going to be on it because everyone is going to be getting their budgets cut you know and my guess is they may not even have a model that they may just apply percentages to what people are getting in 2011.

Ray Juliati talked about the budget and the balancing act the state legislature is attempting:

Well, anything that gets public funding, which are, I mean, the three, you know, educate, incarcerate, and medicate, those are the three. So, Medicaid, education and prisons, so, those are the three that take up the state budget. Any of those three are going to play against one another to whatever society’s issues are at that time. So, when you hear talk about well, we need more for schools or Medicaid, it’s prisons that are going to take the hit, which means you have to change laws to not incarcerate so many people. When you do that, you get a backlash and you have to address that and take from Medicaid and poor people don’t have services or elderly. It’s just, you always have, it’s the three pots fighting for the dollars. There’s no system that will provide adequate education, no system. It’s impossible, because you can’t have the three of them in harmony. You can take
care of education, Strickland did. He took care of us last year. He didn’t cut us.

Now, we’re going to get killed, because the other two were killed so badly. Well, or actually prisons were hurt more and the state budget was hurt more. 

With respect to funding, he added, “It’s in crisis. It’s in crisis, because of the economic condition of the state and the problem is that the state has lost so much in terms of its revenue because of businesses and employees leaving. The state is in crisis, so there going to be in crisis mode until they start the comeback.”

**Uncertainty in funding: Ideas.**

Another type of uncertainty is the need to define what a “thorough and efficient” education truly means. Peter Bates discussed his feelings about this issue dating back to early in the *DeRolph* saga, “My sympathies in my philosophy was with that group (plaintiffs). When we put out in 1991, in 1990, State Board of Education recommendations and budget recommendations to the General Assembly, related to developing a ‘thorough and efficient’ system, first time the state had talked about thorough and efficient system.” He put the onus on the state government to do so saying, “Well, I mean look here, it’s very simple. This isn’t rocket science here, the state is responsible for a thorough and efficient system. Now what’s that mean? That means that the state has to define a thorough and efficient system.” In his mind, Governor Strickland had attempted to create this definition with the OEBM:

That’s what Strickland was trying to do with this civic engagement thing. It was what he trying to do with having nurses, and that didn’t go over very big with
some of the administrators, having wellness coordinators and that sort of thing.

So this whole idea of a residency requirement for teachers, you know there are just a multiplicity of those kinds of things that have to me, that you know relate to this concept of a ‘thorough and efficient’ system.

Neil Johnson also discussed the concept of defining this term, “number one; the fact our state constitution in Ohio calls for ‘thorough and efficient’ education. Now the question comes, what is that?”

Some participants focused on the difficulty in creating a definition of “thorough and efficient.” Ray Juliati focused on how the definition varies in each community:

But the idea was it’s, everybody knows why or what it is and what it isn’t, but they can’t define it, ‘thorough and efficient.’ It is a problem, because it’s a different thing. It’s different communities in different places. For the guys that think that schools should be only basics and that college should take it on for there, ‘thorough and efficient’ is way different that what Solon and Beachwood and Hudson want…way different.

Frank Hobart brought up the lack of clarity offered by the DeRolph case:

You know the issue with DeRolph was the constitution mandates that we do something, that we address issues like that. It guarantees everybody a “thorough and efficient” education. It would have been nice when they drafted the constitution back in 1851 that they would have been a little more specific about what they meant and that’s created a lot of confusion. There are different
interpretations of “thorough and efficient” and there are different interpretations of various *DeRolph* rulings and about what they did or did not like about the system, but the basic structure of system wasn’t a problem. It’s the specifics of it, it’s the way that we determine the local contribution is that appropriate or not, is there a different way to do it? Was the way that we were determining the foundation level, was that appropriate?

Gordon Marnes added his comments and frustrations with the lack of clarity and definition stemming from *DeRolph*:

Four times, *DeRolph* had time to be analyzed, studied and scrutinized. So I think that it was cool that we have had four different decisions that have alluded to the same issue. And then you progress through that, the frustration that I have very quickly would be in a sense they just left it hanging, there was not, you got to come up with this and let’s look at this and analyze it, the court basically gave it back to the legislative body and that is where it is, so the judicial system said here is our opinion, no teeth beyond that, so there is a frustration in it. Nonetheless, I think that is what spurred the whole Blue Ribbon Task Force, trying to get to adequacy and working our way through that. So was it fatal? No, I think that it was absolutely timely and I think it was excellent that it was tried. I think that we need to get back to what we came from that decision into a Blue Ribbon Task Force and talk about what is a fundamental, “thorough and efficient.” Well, fundamentally what is that? Unless you come back and test those words…Rather
than in the past formula or the past process, moving around it, trying to touch it, as opposed to let’s get right to the heart of it. So frustration would be the word. I wish we would have had a little more teeth in the decision process wise. I think that we need to get back to the first couple of steps that occurred right after that, because we were closest to the fundamental issue.

Evelyn Crouch accepted this uncertainty and embraced the notion it is permanent with the statement, “The bad thing that came out of the DeRolph litigation was furthering the notion that someday out there, there is a fix for school funding in Ohio and I don’t think there is one. I don’t think there is (a permanent fix). I think we have to keep revisiting it.”

State task force data.

This uncertainty surrounding school funding models, the transitions, and budget issues is a recognized problem. The 2005 Blue Ribbon Task Force addressed the uncertainty within school funding and the transition between funding approaches by stating, “The transition from the current system to the new system must be engineered to avoid precipitous reductions in state support for individual districts” (Executive Summary), which may have been Strickland’s approach but certainly not Kasich’s in the most recent 2011 biennium budget.

Adequate Educational Level.

Participants spoke about the importance of creating an adequate educational level for all students in the State of Ohio. Most were adamant that the zip code of a child
should not determine their level of funding and that the state needed to provide an adequate amount for each child, while defining exactly the true per pupil amount necessary. The approximate value last used in the foundation level ($5700 per pupil) is probably at least $4000 to $5000 short of the average spending across the state. Experts recognized that the cost of education is in teacher’s salaries and that the state salary schedule mentioned before could be an answer for creating an adequate educational level for all students. A few also reinforced the concept that once this level is defined, it will have to be revisited and be able to be easily adjusted with changing economic times to offer a long term, reliable solution.

**Adequate educational level: Issues and ideas.**

School funding experts discussed the idea that an adequate education is something that all students should have regardless of where they live in Ohio and their socio-economic status. Peter Bates referred back to the *DeRolph* case and mentioned the debate over whether education is a basic right saying, “Well, what was the contention there? Well, the contention was that the system is neither ‘thorough nor efficient;’ they asked the court to declare education a fundamental right.” He also explained the mindset in Ohio and his problem with different expectations in varying zip codes:

Somehow the psyche of Ohio is such that, “well, okay we’re a poor district, we can’t expect very much.” Think of this, think of this, let’s suppose from here you’ve gone down 23 south I suppose to Portsmouth. Suppose that we funded highway 23 the way that we fund schools. Here in Franklin County pretty good
highway, Pickaway County a little less, Ross County a lot less, Pike County dirt road. I mean back before the 1930s the counties took care of the roads with some subsidy from the counties or from the state. Now, you can imagine how that worked, different levels of revenue locally, it wouldn’t work. So the state had to take over the highway system. Now the only way that every nook and cranny in this state is going to get a quality education is if we decide the state is going to take over the funding responsibility so that kids in Manx County are on par with Westerville, or whatever. It’s a state responsibility

Frank Hobart agreed with this philosophy and said, “You have to equalize resources, if you believe that education is something that serves the common good, and then having a system where the state ensures that every kid has some reasonable access to a decent education is a good policy.” Gordon Marnes commented on the same issue in quoting the former state superintendent and referring to a Blue Ribbon Task Force:

The whole idea there was, I think Deb Delisle (former State Superintendent) uses this phrase a lot, your zip code shouldn’t determine the fundamental level of educational support that you get, and she uses that phrase often so I’m tagging into her phrase when I share that. The Blue Ribbon Task Force had the right idea while saying the zip code shouldn’t matter, let’s bring it to a medium point through a good analysis to say this is a baseline amount. Now districts, if you want to tax yourself on top of that to provide “X” programs you go right ahead but we understand the southeastern Ohio or northwestern Ohio, there is a least
going to be something that is a consistent base for all of you. If you want to go beyond that so be it.

Neil Johnson added to the discussion involving adequate funding for all students by referring to the early equity cases saying, "In the Rodriguez Case in the U.S. Supreme Court and the Serrano Case said that property values alone and what you could collect from property values should not be the determiner on how much money you spent for a child."

While the school funding experts desired adequacy in school funding, they understood the complexities in establishing an adequate level. Frank Hobart discussed this complexity and the difference between equity and adequacy:

So, those were kind of the three main issues that I identified in the report that Ohio needed to address in order to fix its funding system. To make it more equitable, make sure the funding level is adequate because even if it’s equitable, if no one has enough money, you can look at places where there is not a lot of inequity in the funding but that’s because even the best funded places aren’t getting a lot of money and don’t have enough resources. So not only can you need equitable you need to make sure it’s adequate, then you need to make sure that it’s going to work from one year to next.

Paul Tate discussed these same issues and what has happened because an adequate amount has not been established:
If you say to me, that you know, an average district should have this many teachers and this many administrators and this many services and it should cost this amount then that’s what the average is in the state and that’s what we’re finding that no one should get less than that. You can’t give somebody 10% less than that or 20% less than that. Now, if you want to fund somebody higher than that because they’ve got special circumstances, they’re in an urban district with different issues, you can you use that and move forward because then you can balance out “thorough and efficient.” But we’re doing what we did in the SF-3. We’re taking and creating the haves and have-nots. So we’re under-funding what we consider wealthy districts to fund districts that we don’t feel are wealthy enough because the state never establishes an adequate amount. That’s going to be the challenge no matter what formula you come up with, the fact that what’s the adequate amount and are we willing to stand by it.

Wade Daniels spoke historically about how the expectation of school funding has shifted:

The idea of what’s an adequate education or at one time was called minimum standards education the number was derived at trying to cost out the elements that were required to be place by the state of Ohio. For instance, one teacher for every 25 students or certain minimum amount of public transportation offered. After 1975, when the federal government and state passed new laws on educating handicapped students that cost was included in this. So the idea was the state’s responsible for helping fund the minimum required cost for a student that evolved
to how can we fund an adequate education presumed to be something more than the minimum standard education and that evolved over time to the last ten years of how do we define a high quality.

Frank Hobart also explained this shift from equity to adequacy and the corresponding difficulties in the definition process:

That was the issue (equity) that school finance people looked at the mid 1990s. It then dates back to the surrounding decision in California (*Serrano*) in the 70’s and that was kind of, they were equity issues, certain groups of kids weren’t getting enough money and it was relative to other kids. The adequacy issue is a different way of looking at it. Not worrying about what a kid in Columbus is getting compared to a kid in Hudson. It’s worrying about what the kid in Columbus is getting is what the kid in Columbus needs because the kid in Columbus is different than that kid in Hudson. So, the emphasis in school funding has switched from more focused on equity and less on adequacy, and now it’s fair to say that it’s more on adequacy and less on equity, and I think most recently people would say you need both of those things. Frankly adequacy is harder than equity. Equity is a judgment, there is different ways to look at it and there are all the different equity measures and comparing them, you can compare one state with another. You know there are lots of things that you can do. Adequacy, it’s much harder to determine what’s adequate because people don’t, it’s hard to define an adequate education, it’s hard to figure out what it costs.
**Adequate educational level: Ideas.**

One of the methods of determining an adequate education would be to establish a true per pupil amount that takes into account what is truly being spent per child throughout the state. Participants discussed this concept multiples times. Wade Daniels explained how this aspect of funding is never entertained:

So politicians being politicians, one of things I always marvel at is even with the Governor’s (Strickland) Evidence Based Model suggesting the notion that if we do all these research based things we’ll fund that and then we’ve taken care of education. Well, at the end of the day if you take the sum total of the state budget for K-12 spending that funds that Evidence Based Model divided by the number of students enrolled kindergarten through twelfth grade in traditional public schools you come out with a number that is around $5700. If you look at how much we spent last year (2010) we’re now up to about $10,700. His frustration manifested itself in the comment, “If the governor’s (Strickland) model was fully funded, if Augenblick’s number was fully funded, if anybody’s number was fully funded, we still fall 30-50% short of the amount of money we’re spending per pupil now. So, I’ve yet to be engaged in discussions that have talked about how we reconcile that disparity.” Gordon Marnes also mentioned creating a more realistic per pupil amount stating, “When you take the $13,000 per pupil that someone is spending down here and compare it to the maybe $4500 to $5300 per pupil at least minimally to the $5700 we had, maybe find a spot and say what will it take to generate that revenue then
establish that and that’s what it is.” Paul Tate added his comments about creating a true funding amount per pupil:

If they said today every kid in the state of Ohio gets $5,000 of state funding its minimum no matter where they’re at. Well, it won’t be fully funded because you’re not paying five, you’re paying more than 10. But they’re saying “well, we’re not funding your sports program, we’re not funding after school activities, we’re not funding how you pick kids up with buses, maybe you know, but we’ve said everybody gets 5.” They can’t fund it at 5 because they don’t even have enough money to fund it at 5.

Of course, creating a true per pupil amount and committing to that model would be impossible given the current amount of state revenue, so the “big picture” of school funding and the state budget would need to be examined.

In looking at the amount of money spent on public education throughout Ohio and working to create an adequate system, the expenditure side of money being spent on personnel becomes an obvious issue. Participants discussed the investment in teachers’ salaries and benefits as the major cost in education. Wade Daniels stated, “If you take any given school’s budget, and you only look at how much you pay teachers, salaries and benefits, it’s probably about 80-85% of the budget. In the state of Ohio, right now, the state’s providing about 46% funding of the cost of public education. Neil Johnson mentioned the same issue with his comment, “The other factor that’s in there is the cost of education and when you get into the cost of education you get into mainly salaries and
it’s a question of 85 even up to 90%, it can be even into the lower 90s, percentage of
district’s expenditures are for personnel.” Peter Bates acknowledged this investment but
felt teachers were still under-compensated:

Somebody was lamenting we’re going to have a teacher shortage; I said, “well,
what are you going to do about that as a policy person?” I said, “the first thing we
need to do is think about paying them.” What do you mean, well okay? Pay
them, it’s kind of that simple. Now David Brennan who runs charter schools can
pocket 10 to 20 million dollars a year but the superintendent is making $140,000,
they think that’s inordinate.

Some of the school funding experts advocated their work, which revolved around
creating a state teacher salary schedule to create an adequate educational system. Wade
Daniels explained:

The thing that’s different for us than these other 6 states are, we advocate that
there be a standardized, state-wide salary schedule for all teachers. There’s one
salary schedule for everyone. We have a state minimum salary scheduled; we
always have in the state of Ohio. The starting range I think’s… 17,900 or
19,700…it’s not used for anything anyways. But there is one. We believe we
need a front-ended loaded, compressed salary schedule. We also believe there’s a
lot of research that says a teacher basically perfects the art of teaching within their
first 5 or 6 years and learns all the things that you need to do to be a wonderful
teacher. So, part of our premise is, if we fund equally a quality classroom teacher
for every classroom in the state of Ohio, you can’t be more equitable than that. Whether you’re in Appalachia, Ohio or in suburban, Northeast Ohio, if every classroom has a high quality teacher, you’ve got equitable education. So, that satisfies the equity part of any discussion about adequate and equitable or high quality and equitable.

He also urged that teachers be paid commensurate with other professions to draw more talented people into the pool to ensure all students had a quality instructor by saying, “So, part of this idea of front-end loaded is, our beginning teacher salary ought to be equal to many other professions that require a bachelor’s degree or above, and then it ought to recognize that you get the maximum earning power very quickly. In the private sector, most industries, you don’t get a longevity step or an experience step every year for 15 years” and also, “So, our notion of, if you have a standardized salary schedule, you have equitable distribution. If you front-end load it and compress it, we’re going to be more competitive in getting the quality, the best and brightest to become teachers, which increases the supply so you can distribute them all over the state. And then you have a high quality education.” Along the same lines, William Holt discussed attracting talent to education, “Well, I think if it (state teacher salary schedule) is properly funded and we could compete for the same kinds of students that traditionally go through the university and go into medical technology or business or inter in administrative positions and were handed opportunities and so forth.” He also explained how this model would be both adequate and thorough and efficient:
We think that’s (meeting “thorough and efficient” clause) one of the strengths of our model. I doubt if you were paying all the teachers and again, you can’t make a retroactive under the American system or laws, so it’s going to take awhile, but and you have got and retained the best and the brightest and they weren’t, you know, they could live wherever they wanted. If they wanted to go back and teach in their own school district, they could or if they wanted to teach in any place in Ohio and they got the same salary there’d be no incentive to cluster into the highest income areas. So, you’d have a more even distribution of the best and the brightest and I think that would meet the test of DeRolph.

A final aspect to creating an adequate educational level is the idea of reliability or creating a system that will work and adapt over time. Evelyn Crouch discussed this challenge thus far, “So, if you think of it that way, we’ve moved a long ways and I would say that all, all of the formulas that we’ve had since then (1970s) were, have not worked, really, because they’re, they’re, ‘not sustainable’.” Matthew Drew also mentioned the ongoing nature of this problem when stating, “But I have no problem with constantly defining adequacy. I think things change.” Finally, Frank Hobart presented his opinion on a long term solution, “Reliability is an issue that basically gets at the idea, if you fix the funding system according to some set of objectives it needs to be able to stay fixed over some reasonable period of time into the future.”
Discussing the concept of creating an adequate educational level and actually defining what constitutes an adequate or high level of education are two completely different tasks. Defining adequacy still remains a daunting task. In 1993, the Legislative Office of Education Oversight attempted to define a “High Quality Education” by examining different groups of schools and comparing their characteristics, causing the office to conclude that, “Quality education happens more easily when the community supports the school,” and “There must be enough funds to allow schooling practices to respond to the needs of different students. How much is enough varies with the community context of individual districts,” and even, “Schools choose to use both their available funds and community resources to implement the schooling practices which bring about quality education” (pp. 33-34). While these statements are true, these conclusions certainly do not help to quantify the cost or the range of cost of an adequate education for all students in Ohio.

LOCAL FUNDING AND CONTROL

Local Control.

While discussing funding issues, the tradition in Ohio that schools be locally controlled continues to be an important concept. Experts continually referred to the messages and attitudes from local communities and voters about funding issues and that it was necessary to allow some local control to add money to whatever adequate level the state defined. The issue that two-thirds of Ohio’s school districts had moved to the point
of being at the 20 mill floor was critical because schools could not or had decided not to continue to attempt to pass levies, since there is only growth for schools at or below this floor. Because of this tradition of local schools and a responsibility to operate locally, the mindset in this state is to focus on continuing local schools as funding units, even though the state is obligated to provide a “through and efficient” system. To many experts, this condition seems to be a contradiction. Because of this history, feelings of local ownership, and a budget crisis, the state continues to place more of a burden on local taxpayers by reducing its commitment to school funding and expecting localities to pass further levies to fill the void. The other option is for school districts to eliminate services in an effort to curtail costs.

Local control: Issues.

When examining school funding in Ohio, it is important to understand the tradition of local schools, even though the state constitution dictates that a “thorough and efficient” education be provided. Wade Daniels provided this historical perspective:

Recognizing Ohio’s part of the original Northwest Territory and even before we became a state had provided for public education. It was rooted in the idea of many local schools different than say Hawaii which has one state school or many populous states that have county-wide school systems. At one time in Ohio we had over 1200 school districts; today, we’ve got about 600 school districts (traditional brick and mortar school districts). But in recognizing for the entire time we’ve been a state our expectation is that we have local school districts and
local control for school districts and by extension that means then that the funding of public education is a joint responsibility of the state and of the local communities.

Peter Bates also discussed the balance between state obligation and local control in relation to the Walters case and the lack of adequate state support for school funding:

In fact, the legal scholars consider that (Walters) a very curious decision. Essentially what they said was that the tradition of local control trumps state responsibility. I mean it’s very; well, it’s very curious for the court at that time to say that the tradition of local control justifies inequities. Essentially that’s what the court said, that the justification for all of the chicanery in school funding is that people value local control.

He added that currently, “We’re going to back to an era that’s reminiscent to the Supreme Court decision that the tradition of local control trumps state responsibility. Now, carried with that traditional control, fund your own system.” Evelyn Crouch also concisely delineated this difficult conundrum, “You can see that school districts are very different in terms of their local ability to support education and that’s one thing that’s hard to solve in a big state where you have a lot of districts and you have, still have some belief that there ought to be local decision making about these things.”

With this topic of local control in mind, many school funding experts made the claim that Ohio has continually shifted the burden of funding schools to the localities to avoid paying necessary amount. Evelyn Crouch commented, “I think there will be more
pressure on the local property tax and local income tax unless, and I heard this rumor, I don’t know whether you want to put this in, but, you know, at some point, these folks may decide we need limits on local spending as well.” Wade Daniels had the same thoughts about the shifting of the burden:

Well I just read a statistic last week, and I’ve always felt that part of the problem with how public education funding has evolved, is we’re shifting the local tax burden from business to residential property owners. When I started in 1973, businesses were paying between 55 and 60% of the local taxes collected to support public education. Now it’s down to less than 40% and in many cases closer to 30%.

Peter Bates has seen the same pattern in his extensive career and discussed it in relation to the 23 mill charge off:

If I had my way it would be less than 20. You know Voinovich came in very cleverly and increased the charge off from 20 to 23. What that did was shift 750 and in today’s dollars about a billion dollars. Well at least 750 million dollars from the state to the local level. But it applies across the board. Because for each mill across the state the total valuation the total duplicate for the state of Ohio is about 257 million dollars, some 200 million dollars, so one mill is 250 fifty million. So if you increase across the board the local district’s responsibility by one mill, you shift 250 million on to the local districts from the state. When I first started in the superintendency, the charge off was 10 mills then went up to 12.5,
then it went up to 15, then it went up 18, then it went up to 19, then it went up to 20. Voinovich comes along and shifts it to 23, Strickland over time was supposed to bring it back to 20.

Neil Johnson shared the same concerns about the local burden and said, “Personally, what I see is a movement continuing toward the local property tax owner paying more money for local education.”

In examining the burden shift to the locality, some of the responsibility could be hidden in less direct costs than property taxes. William Holt had some concerns about these less obvious types of responsibilities:

One of the things that’s bothering me and I have a graduate student looking at it now and it may grow into his dissertation, is there’s not been much thought or publicity, I’m sure there’s been thought, but not much publicity about losses of local revenue sources or the converse of that growing need to provide services and materials we never had to provide before out of local funds and I suspect and I’m seeing a lot of stuff on like school lunches, how much the number of free lunches has grown. But I’m not seeing any figures or what this means to school districts, you know, because that money’s got to come from somewhere. The Feds don’t reimburse a 100% of most school lunches. So, you know, there, and there’s a law in Ohio that if you require like a workbook of all students and the student can’t pay for it, guess who gets to buy it. And I’m not and I’m sure that
expenditure is going up, but I’m not seeing any figures that look at some of those kinds of expenses that are a result of the downturn in the economy.

Ray Juliati actually predicted that schools would have to pass on some of the extra costs to their families:

I think that there are going to be more user fees for students going forward than there were in the past so that when you ask the public to pick a part of the cost where they’re no longer using it, you’re going to have to ask the public who have kids in school, you’re going have to pay more when they’re in there. They’re (politicians in Columbus) going to shift everything away from the state. They have to deflect it back.

Based on some of the pay-to-participate statistics (with respect to athletic and extra-curricular activity participation) shared in the introduction chapter, it seems this prediction of more user fees is coming to fruition and will only continue.

Another issue that complicates school funding is local resistance to increased taxes through levies. The participants made mention of this difficulty when discussing community messages to the local schools. Peter Bates mentioned the lottery revenue issue, “It has caused a lot of grief, levy promotions, because people have been asked the question a thousand times. What happened to the lottery money that was supposed to take care of schools?” Gordon Marnes relayed what he heard from his community with respect to staffing, “Well we’ve been reducing administrative level all because the community is saying ‘Hey! How many administrators do you guys have?’ and this is the
life you live, this is my example.” Wade Daniels discussed the community perception of the costs of running schools, “If you’re not a parent using the school district...all you know is you’re being forced to pay property taxes to fund public education. So, your first impression is it’s a drain on me. I’m funding something I’m not using.” Vlad Dragich also offered his interpretation, “Well what that (desire for less reliance on property tax) means is I don’t want you to ask me for any more levies. It doesn’t mean I want to give you more money, and I don’t think you should fund it more, it means quit asking me for levies that’s when a citizen says that.” Matthew Drew shared his experiences when dealing with confusion over HB 920, “The school district saying, ‘but we’re not getting any more money.’ The people over there where all the voters said, ‘you got to be crazy, you must be lying or crooked, that can’t be true, my tax bill has gone up.’ You couldn’t have created a worse system for us to lose trust with our tax payers.” He also added his frustrations to trying to explain to communities the extra costs of educating Special Education and other needy students, “I mean we have voters out there saying, ‘well, schools aren’t the way they used to be.’ You’re right, they graduated from high school in 1955 when 50 of them graduated from high school. There weren’t any special needs kids. They weren’t in school, they were out of school.”

**Local control: Ideas.**

With respect to local issues in funding, the participants were adamant that the state funding system should allow localities to create additional revenue for schools on top of the adequate amount provided by the state. Evelyn Crouch, who admittedly cares
deeply about equity, stated, “I don’t think, politically, you could ever stop local districts from adding on to whatever the adequate amount is. You know, people in the wealthy suburbs are not going to be satisfied with having what everybody else in Ohio has. They want more.” Wade Daniels agreed with this local choice:

That’s part of this local control of education. It goes back to the Northwest Ordinance, that the district’s going to be a reflection of what the community expects, but the community’s going to have to pay for that. If the community wants the best superintendent in the United States, go get them, but you’re going to pay for it yourself. It’s not going to be funded through the state.

He added, “Yes, the local community’s going to decide. If you want the bus to stop at every driveway and provide doorstep service, if you want an aide on there to get out, walk up to the front door with an umbrella, go to it, but you’re going to pay for it.”

Gordon Marnes had a similar idea, “Now districts, if you want to tax yourself on top of that to provide ‘X’ programs, you go right ahead, but we understand the southeastern Ohio or northwestern Ohio, there is a least going to be something that is a consistent base for all of you. If you want to go beyond that, so be it.” Neil Johnson pontificated on the same issue and came to the same conclusion:

The third factor that’s in there is the ability to fund education and the thing I have to do is change tracks a little bit and ask is it fair that people who make more money can spend more money? I personally think it’s fair that if you earn more money you’re allowed to spend more money than somebody who doesn’t earn as
much money. If you live a community that is able to raise more resources because of the earnings of the people who live there and the value of the homes there versus what the revenue would be from persons who don’t have those means and who don’t have property values that are the same as these others. Is it fair that the district that has the greater resources should be able to spend more money than that others, is that fair?

Not everyone would agree that it is fair to allow certain districts to spend more than others, based upon its ability to pay, but the consensus among the school funding experts was that this type of differentiation should be allowed.

**Lack of Inflationary Growth.**

Participants described HB 920 of 1976 as a major local impediment and difficulty in school funding in Ohio. They certainly understand the rationale for the original bill and the protection from hyper-inflation for homeowners and taxpayers. On the other hand, this bill has allowed almost no growth on voted mills since this time. This zero growth trigger has caused issues, such as phantom revenue, when combined with reappraisal cycles, millage rollback, and the 23 mill charge off. Most thought the charge off should be altered to 20 mills for all districts or that the charge off should match the local minimum contribution to help alleviate phantom revenue. Experts did recognize the help that HB 920 and this system are currently providing as property values are dropping, instead of rising.

**Lack of inflationary growth: Issues.**
Although many school funding experts see HB 920 as an impediment to school funding at the local level, they also understand the background to the law, as well as the rationale for its implementation. Peter Bates explained, “Everybody blames House Bill 920 for the problems in the school funding, but as you look at tax history in Ohio early in the funding of schools, in fact early in the 1900s the legislature passed laws that didn’t allow the districts to collect more money from their tax levies as property values increased.” He also explained the different types of property stating, “What House Bill 920 did was to separate classes of property, real property and personal tangible property. Personal tangible property originally was taxed at full rate. Class one (residential and agricultural) and class two (business property) properties were taxed at different effective rates depending on how much each class increased in value.” Neil Johnson articulated his perception of the reason for HB 920:

Property taxes, the way they’re levied in the state of Ohio, do not make that adjustment, and the reason they don’t make that adjustment is because of House Bill 920. Now, House Bill 920 came out in the late 70s for the reason that there was the inflationary factor that you had at that time, and they didn’t want property values and therefore the resulting taxes, especially the resulting taxes of the increased property values, going up. So, they put House Bill 920 in to flatten out the revenue, but that’s not the reality of the culture in which we live.

Wade Daniels also spoke about the rationale:
I understand the concept, and the reality that two-thirds of the people that own homes and pay taxes don’t have kids in the school system. For them, it makes perfect sense that I agree to pay the schools a fixed amount. Basically, what House Bill 920 did was change the business transaction with the voter. It used to be, on Election Day, you’d agree to pay say a new five mills of taxes against whatever current and future of your home. What House Bill 920 said is you agree to pay the dollars produced on election day of house value times five mills and I’m only paying that amount of money. For a lot of senior citizens, for non-parents, it’s great because the concept is you have to come back and ask me if you want more money. You don’t automatically get more money from me.

He also remembered the challenges facing Ohio at the onset of HB 920 stating, “You know, in 1975, I remember, Franklin County, Summit County, Montgomery County, and I believe Lucas County, we’re all in the same 6-year reappraisal cycle. Home values went up anywhere from 50 to 80%. And that’s what causes huge outcry and the craziness.” Matthew Drew also recollected that time saying, “I understand how it (HB 920) passed, those of us who lived through the decade, we had high inflation. There were questions what was going on. There was a shifting of taxes every time, because the millage rate was rolled back as if everybody in this room went up the same.” William Holt empathized, “Well, I think it (HB 920) is a protection for the homeowner. I’m a homeowner. It’s helped it from making increases in real-estate taxes too easy.” Ray Juliati agreed with the need at the time, “Well, it was probably politically necessary back
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in the ‘70s when it was created. It was an answer to California’s Proposition 13. Voinovich did it, he wasn’t, it was a pretty good copycat of that bill, but people weren’t going to accept 25% increases in property taxes and so something had to be done.”

On the other hand, participants had reservations about the extent of protections for homeowners and the fact that no growth is allowed. Vlad Dragich explained his mixed feelings, “I think there is an argument that in certain situations if there wasn’t some limitation on the growth of that, that property that there are people that would not spend it appropriately and I do think it does give some protection. I just don’t think it should be so completely flat.” Frank Hobart also saw both sides:

I don’t think HB 920 was a completely bad idea, the part of it was that was bad was that it doesn’t allow any of us growth, it triggers at zero. The problem is not that there is a trigger. You need some protection for, you need something that protects home owners from the property tax escalating and spiraling out of control, but at the same time, you need something that allows the local government officials, some reasonable growth from the property taxes so that they can keep providing the same level of services year after year.

Paul Tate explained the dilemma of HB 920 as well:

Well, they’re mad about that (when property value goes down but taxes remain steady), but it helped them on the other end when their house went up 20, 30%. They weren’t paying 20 to 30% more in taxes. So, you know, 920 served its purpose in the ‘70s, because of high inflation, but what it’s caused is that you get
little or no growth at the local level and as communities get built up when they
don’t have a lot of new housing stock and you know, the base doesn’t grow.

A few participants were willing to accept HB 920, although they had concerns
about how schools have had to become fundraising organizations. Ray Juliati
summarized his stance:

Well, it’s an issue that you have to work around, but it’s not illogical. Some of
my counterparts says it’s the worst thing, but think about it. Does it really, would
you, let me ask you this. Would you, you offer dinner and the dinner’s $20 and
they come at the end of the dinner and say it’s $23, because we just saw the steak
went up on the internet. You wouldn’t accept it in your private life, and it just
made us more political, which is not, which is not a good thing. Once you ask for
money, you’re, you’re political.

Evelyn Crouch also could live with HB 920 in its current form:

I think its importance (HB 920) gets exaggerated by school superintendents in the
sense that I think the data show that people have voted to increase their property
taxes about as much as they would have gone up in there wasn’t any 920. That
varies, of course, from district to district, but I know that school superintendents
and school leaders resent the time they have to spend in selling levies and I can
sympathize with that, but I don’t think 920 has stopped the growth in local
property tax revenues at all.
These two comments were more understanding of this restriction of growth than was the general tone.

Many of the participants were blatantly frustrated with the lack of any growth of residential property taxes for the purposes of schools. Wade Daniels stated, “From a business, operational model, it’s (HB 920) horrible because it’s the primary source of funding for virtually every school district in the state of Ohio, or at least between half and three-fourths of them. So, your income’s fixed.” Gordon Marnes concurred, “But probably the greatest frustration for me in the total picture of this has been the lack of the ability to allow inflation to be incrementally incorporated.” Paul Tate exclaimed: “Nothing worse more than that (HB 920). Well, again, 920 is part of the problem on the local level, we’ve been talking a lot about the local is not broken. So, 920 effectively is broken.” Neil Johnson asserted, “You might see deflation less than 1% of the time, but you see inflation over long periods of time, and there’s no factor in property tax collections in the state of Ohio that adjusts for inflation, and I don’t think that is correct.”

The school funding experts also explained some of the details of HB 920 that caused difficulties, such as the reappraisal cycle, rolled back millage, and the resulting phantom revenue. Frank Hobart articulated the connection:

We have two challenges in Ohio that other states have but maybe not to the same degree, and our primary challenge is that our local property tax does not work the same as it does in many other states because we have House Bill 920, which, when properties increase in value due to inflation from reappraisal, and right now
in 2011 that’s not been happening for the last couple of years, but it’s been fairly
typical that property values go up and not down. When they go up, our property
tax law works to effectively role back millage rates so when you vote for a levy,
you’re really voting more for a dollar amount than you are for a millage rate and
so that creates problems for schools and local governments because in order to get
additional revenue just to keep up with the inflation you have to keep passing
more levies.

Matthew Drew also explained some of details and how the state has worked to make
some slight improvements in the reappraisal cycle:

We got some adjustments around the edges. For instance, we had a big deal all
through the DeRolph Case, we got a formula that doesn’t work mathematically.
And we make you look wealthier by property value, then take a charge off times
that higher property value or whatever the millage might be. Take it times
property value but then we don’t give you anymore money so your property value
becomes 5% wealthier. We cut the millage rate back to give you the same money
locally but we’ll give you less money from the state because you’re wealthier on
property value, on paper. Most people have said, “wait a minute,” people from
outside the state who have looked that and a number of others. That’s something
totally illogical. I’d wish I’d named it. I first testified about in 1978 when I was
Superintendent. I’d had a property reappraisal the year before of about a 40%
increase in property value, this was two years after House Bill 920 passed.
Absolutely, it’s problem, well that created the phantom revenue piece, House Bill 920 did.

Gordon Marnes also mentioned reappraisal and the phantom revenue as a problem stating, “So, the reappraisal typically would increase the valuation of your home, and of course as your district, it’s total valuation. Well, what went on there is when the valuation went up, automatically the millage was reduced…So, in a sense, you couldn’t earn more money based on the inflation, which would’ve been helpful to you.” This explanation delineates how, “We have like 70 some voted, low 30s effective. But, when you hear that number, 70 and 30, there’s your effect, when you reduce that millage’s effectiveness. So, conceptually, I’m sharing, there’s the greatest frustration.” Gordon Marnes also further explained phantom revenue:

You went through the reappraisal, you usually had an uptake in your district’s overall evaluation, that’s a great phrase in this climate now but over time yes, it would creep up a little bit. So the formula would see this larger number it would think that you were richer than you were so it would reduce your state aid because it worked in unison. So the idea of the phantom revenue was well you must be getting more money because you’re more valuable. The issue is here when they reduce the millage you did not get that, you didn’t get the advantage of increased revenue, so that’s where the term phantom revenue came in. It would show that your evaluation went up so that should generate this much more new money to you but that was the phantom part in it. When they reduced the millage that
meant you weren’t going to get any more money than you had, so there was the phantom revenue piece in that gap. The problem was your state aid then went down based on the new number that they gave you as your new valuation, so there was the trick in it.

Matthew Drew was also emphatic about this problem:

You can’t have phantom revenue. I think one of the mistakes we’ve made, we kept all of our emphasis on “thorough and efficient” and so getting the adequacy number. But the distribution system was flawed. What if the number were $12,000 a student, in a matter of four years everybody would be spending $12,000 a student. What happens in the future when property values rise, we then cut the millage rate to give you the same revenue but give you less state money every two years, because the property evaluation went up. The distribution formula, if we were going to have property taxes, we needed to make sure that either in tangential, to the solving of the adequacy issue or maybe even before solve that distribution problem of phantom revenue, it’s a $500 million to $600 million flaw in the formula to fund on revenue we don’t actually have on the school district.

Evelyn Crouch summed up the issue succinctly with her comment, “Well, that (phantom revenue) is a result of the various pieces of our policy not working together well. The tax reduction factor, not working with the formula, the school finance formula, the assessment cycle not working with the school finance formula and so I think phantom revenue is real.”
On a final note with respect to phantom revenue and HB 920, the participants recognized the scenario given the recession and declining property values. Wade Daniels explained, “And in fact, as you may know, House Bill 920’s working in reverse right now. People aren’t catching a break because the value of their home’s going down. If the collective value goes down, the tax rate went up, in fact, we have an emergency levy just being collected at a millage amount higher than what it was on the ballot for. Vlad Dragich said, “Right now, you’d be dealing with it (HB 920 and millage) probably in a different way because their values are going down so there is no increase.” Ray Juliati added, “What really killed us is, every, but actually it’s saving us now, is property levels decline. It works in reverse and it helps us retain dollars, but over the years, it’s just an impossible, the public didn’t understand, doesn’t understand it.” Finally, Paul Tate’s comments stated the different environment now:

The opposite is happening now with what people don’t understand. We’re paying 20 mills before this property value goes down. They’re still paying, they’re paying the same amount of taxes, so they’re housing value is going down, but their tax bill isn’t going down. Well, they’re mad about that, but it helped them on the other end when their house went up 20, 30%.

While the current environment has shown the help HB 920 has given to school districts in collecting revenue for operations, the school funding experts and the task force documents make obvious the need to address the impact of HB 920, phantom revenue, and the associated rolled back, effective millage during appraisal cycles.
Lack of inflationary growth: Ideas.

Another local issue related to HB 920 and reappraisal, and a form of phantom revenue is the 23 mill charge off. Participants also struggled with impact of this policy and offered their suggestions. Peter Bates did not like how the tax burden with the increased charge off had been shifted away from the state saying, “If I had my way it would be less than 20. You know Voinovich came in very cleverly and increased the charge off from 20 to 23” and also, “So if they really want to give taxpayers a break, reduce the charge off. Put the money out that the state allowed.” Neil Johnson expressed concern for districts at the 20 mill floor, “It (23 mill charge off) penalizes the lower resource districts. The state is almost copping out on those 3 mills, on their being paid from a centralized, from a state source. I just feel like it’s penalizing the lower resource district. It should be back to the 20.” He added:

Get it back down to 20 so there’s no phantom revenue. Basically, what it does is put the burden back on the local property tax owner to provide it, if it’s not provided, because they’re assuming that you collect it. It’s an assumption that you collect it, and that you, as you’re saying, two-thirds of the districts in the state are at the 20 mill floor, and while you, even if you have the 22 mills right now, there’s an assumption that it’s being collected, but it’s not.

William Holt added, “I think it (the charge off) should be at 20 because that’s where it started and well, everybody’s got to be somewhere. I mean 20 is as good as any if you’re going to require a minimum effort and it is the same as the floor, which would help with
phantom revenue.” Vlad Dragich agreed with his comment and added a growth component, “You know, it (OEBM) also on the local side tried to deal with the phantom revenue by trying to roll it down to 20 mills. Now he (Strickland) stopped short of actually, you’re not going to deal with phantom revenue until you allow all districts to have 20 growing mills.” Evelyn Crouch offered her opinion on why the state has kept the charge off above 20 mills, “It’s (phantom revenue) a legitimate issue. I don’t know if it ever can really be solved. If you roll back the local contribution to 20 mills and you increase the state amount to an adequate amount, that would do a lot, but again, can the state sustain it given that its revenues are cyclical.”

Other participants offered analysis of the charge off and the impact on both low and high wealth districts. Ray Juliati was appalled but offered a couple of directions, “Well, it’s (phantom revenue) ridiculous, I mean, it’s just, you know. I would change this. Either go to 20 like they’re supposed to go or a better way is really to go to 25.” He further elaborated:

But there should be a minimum, it should be 20, but really the charge off, I’ll go back and correct myself, it should be 25 mills. It should be every district having to level, leverage 25 mills, so that you get districts around the state that aren’t at that level, contributing at that level, thus reducing the state obligation. Why should, why should one district be at 40 and a guy in southern Ohio, say, well, now we have none for taxes and state can pay for it. So, you have to raise that, but they won’t do it, because it’s politically impossible. If my house in central
Ohio is worth 75,000 and my house in northeast is worth 750,000, then you take care of the inequities that way.”

Paul Tate added further explanation:

They (the state) don’t have to add it in because they (local district) were collecting 20 and the state was counting 23, which is counting three more against them, and they were creating disparages in what they were collecting so it required them to go into the model and make those changes because they were losing money that they never had. It’s like the state was recognizing that we’re collecting 23 but we’ve only collected 20. In a district where you’re above 23, but you’re still being, 23 is being subtracted from your total. So one of the goals that all of the organizations have had is try to eliminate the idea of phantom revenue. If 20 is the limit by legislative law, let’s make 20 the charge off, not 23, not 25, not 30, not some number that is not even in the legislation and actually, the new model (OEBM) addresses that because it starts to knock the charge off down from 23 to 22 and 22 to 21 and 21 to 20. Otherwise you don’t know what you’re shooting at and you’re going to hurt some districts if they’re not, if they’re at a number lower than the charge off. In essence, to the state saying, “you have 23 million dollars to spend and you’re saying, no, I only 20.” Well, the purpose of the formula, we’re going to count would give you half and we’re going to take three million off of your bottom line and you’re going to say “well I’m three million dollars short.”
Frank Hobart also discussed implications and equalization regarding the charge off:

You can point to a couple of other changes that they have made (in OEBM). The change that they made may kind of offset what was there, they the charge off was a little lower than before and the charge off is the way of figuring out the local share. It had been when they started on this it was 20 mills, and then it worked its way up in the mid ‘90s to 23 mills. I do think that it was actually a way to help, it was a way of redirecting money from wealthy school districts to poorer districts because the wealthy district will contribute more per mill than a poor school district will. So that’s equalizing to do that. What we did create some other problems though because for a couple of other reasons 20 is a better place to have that number in the formula. When you lower that charge off back down away from 23 towards 20, that’s going to be a change, which is going to help the wealthy places.

*State task force data.*

This phantom revenue, charge off issue has been evaluated in task force work. The 1991 Joint Select Committee actually supported the concept of raising the 23 mill charge off up even further to 25 mills for the purposes of equalization. The recommendation stated, “the local revenue charge-off in the foundation formula should be increased from the current 20 mills by one additional mill annually or biennially until 25 mills is reached and the per pupil level of the foundation formula should be raised commensurately,” because “increasing the per pupil level in the formula enhances
equalization” (p. 5). This move would actually increase the phenomenon of phantom revenue, as the floor would still be 20 mills, but would also funnel more funds into the basic amount spent of public education.

Additionally, the 2000 Joint Committee confirmed, “the use of the 23-mill charge-off to determine state share of base cost funding. Further, the Committee affirms the ‘Gap Aid’ program that provides state funding for any missing local millage between the 20-mill floor and the charge-off amount” (p. 34), which significantly helped districts at the 20 mill floor but did not alleviate the pressure of phantom revenue because of HB 920 and the full assumption of the value of 23 mills. This Joint Committee recognized that:

Recommendations do not completely eliminate reappraisal (Type II as noted in DeRolph II) phantom revenue as a result of HB 920. However, under the recommended model, H.B. 920 has no impacts on a districts’ abilities to provide an adequate education. In addition, the current recognized valuation provision and the proposed Tier II funding reduce the impact of H.B. 920 on school districts’ local enhancement revenues (p. 51).

Finally, the 2005 Blue Ribbon Task Force recommended linking, “the number of growing mills and the charge off to eliminate the need for Gap Aid,” which “eliminates phantom revenue (revenue the state assumes local districts receive but that they do not actually generate)” (Executive Summary). To date, this recommendation has been ignored by the Ohio Legislature. In viewing the SF-3 Reports of the three participants’
districts, the 23 mill charge off was still represented for Fiscal Year 2010, as the “Recognized Valuation” of the school district was multiplied by .23 with that dollar figure being present and assumed collected by the local school district, regardless of whether this number truly represented reality or not (ODE, 2011).

**Gradual Inflation Adjustment.**

Participants repeatedly discussed how allowing some gradual inflation adjustment on voted millage or the charge off would be a potential positive in the future. Instead of continuing the zero growth trigger from HB 920 on voted millage, they thought that tying the millage (20 mills or the entire amount) to CPI or some inflationary measure to cap growth would be fair. This change would allow schools some increased revenue without overly burdening the homeowner. Other topics in this theme included discussion of the current growth on property value for schools at or below the 20 mill floor and the fact that two-thirds of Ohio school districts are now in this category because of difficulty of passing levies and the limited growth is only allowed for districts at or below this floor. Experts acknowledged there have been slight increases through inside millage and rare increases in actual millage.

**Gradual inflation adjustment: Issues.**

A few of the participants discussed incremental increases with respect to the legal issues and alternatives, such as the newly created conversion levy. Evelyn Crouch explained:
Well, I think you could do that (have millage increase with CPI or another indicator) except that it’s in the Constitution and you have to get people to vote (Vote for a constitutional amendment that would allow property taxes to go up) that their property taxes could go up without them voting specifically on those issues and that’s not going to happen. So, there’s no point in even thinking, I think people have looked at that, tried to figure out ways to do that, actually House Bill 1 (Conversion Levy Provision in HB1) did address that and I can’t explain it to you, it’s very complicated, but it did address the kind of phantom revenue, that whole problem.

While the concept is complicated, Frank Hobart was able to outline the process:

The idea in the OEBM of this conversion levy idea that school districts have figured out a way where they can, it’s the other way that you can be immune from 920. It has to be at the 20 mill floor, and in a way it’s probably the stupidest thing on our school funding system it was the you can be at the 20 mill floor but have 30 effective mills, and the reason you can do that is if you have 10 emergency mills. It’s good from a theoretical standpoint, its completely stupid, from a practical standpoint. It’s kind of a safety valve that we have given to school districts to figure out how they can get some growth and so you know we now have, when I first started working on this we have 56 districts at the 20 mill floor but the last time I checked we had about 400. That’s two-thirds of the districts and you know some people say well they are gaming the system. Okay fine, I mean
this is the system you have, you are stupid if you don’t try to figure a way around it. And so it’s easier to pass emergency levies then just to pass levies and so essentially with the conversion levy option in its own way, it’s ingenious, is that there is a way to allow the 200 places that aren’t at the 20 mill floor. That would be would they vote with their residents to get themselves to the 20 mill floor.

Take a district with 45 or 50 effective mills. Essentially you would need a 25 to 30 mill conversion levy right? Essentially, you will take whatever your effective millage is above 20 and make it a giant number. We have done some analysis of if we replace the new construction, probably, you don’t want to do it because emergency levies you don’t get construction growth which is adjusted downward right and so they are just trade off but it was a way to say school districts can ask voters to get permission to get relief from HB 920 and you don’t have to change the constitution because that’s the other problem with this that they have to change the constitution and all of this now…

Gradual inflation adjustment: Ideas.

Other participants focused on a general policy of allowing some type of incremental inflation adjustment on millage dedicated to schools. Wade Daniels offered his solution:

I’ve always thought the solution to House Bill 920 was that the business transaction on Election Day is, “We will vote for millage against the current home values, and future growth is indexed to some inflation measure,” like Social
Security is. So, if there’s growth every year… For instance, whatever CPI goes up, the property tax bills go up that amount. Well, pick a number, but index the growth to something.

He added, “If there were small, annual, incremental adjustments to keep pace with inflation. To me, that’s still something you can sell to a tax payer saying, “We’re not asking you to take some big hit because of the economy.” Paul Tate’s thoughts were, “So, 920 effectively is broken. So, we got to figure out a way, you say well how do we fix this? Well, the state’s take will be, it is going to be hard to fix this, because of where they are in the budget component. The long term fix, locally, is allow natural cost of living growth on property taxes.” Gordon Marnes felt that:

Had we been able to allow, I call it, “incremental increase” for inflation to occur, say 1% or 2% over a course of a biennium, where they could lock in the percentage and allow it to, in a sense, leak in to help us. You could probably do some research, I’m going to share this without solid data in front of me, probably one-third to 40% of the levies would not have to have been sought had that little bit of inflation been allowed to leak in.

Neil Johnson offered a detailed explanation of his thoughts and increased that have occurred:

I think there should be an adjustment factor for inflation, even to the point of saying, “Hey, I don’t care if it’s 1% a year. If inflation exceeds 1% a year, then there’s an inflationary factor of 1% a year as far as property taxes are concerned.”
I think that would avoid the levy situations that you’re in today, and by the way, if the trigger was not met, then the property taxes don’t go up. But, I still feel that 920 has to be adjusted to allow for some inflationary factor, and it doesn’t. That’s a personal opinion. What they’ve done, and most people don’t realize that I deal with in school finance, they’ve passed legislation twice in the last seven or eight years increasing the millage that the property owner has to pay without the property owner even knowing it, and it’s happened. They got away with it once around 2004-2005, and when they got away with it for a quarter of a mill at that time. They now have it up to a half a mil in 2007-2008, and if you’re a homeowner, you don’t even know that happened to you. It happened with deregulation. They were going to reimburse you everything that you lost to deregulation, except one quarter mill. So, that quarter mill got tacked on to the homeowner, and when they fazed out the Tangible Personal Property and reimbursed school district, you got reimbursed everything that you lost, except half a mill. The property owner has to put up the half a mill. So, that’s three quarters of a percent that they have raise property taxes. So, what they’re doing is they’re really pinning that additional burden on the homeowner, on just assessing it to them without it being a voted situation. Now they can say to you, “Well, there’s 612 school districts in the state of Ohio, and it applies to only 585 of them.” There’s probably 27 districts that didn’t get their quarter of a mill increase or half a mill increase that the other ones did. And they’ve reduced that 23 mills
to 22 mills right now, except that by capping the amount of money that a school
district can get doesn’t make any difference, but more than half the districts in the
state are already at the 20 mill floor. I know it’s in the 400s, but I’m just trying
to be safe in what I’m saying. I know it’s more than half. And the only chance
schools have is on the so-called inside millage of 10 mills, I mean, they can get
increases from that, but that’s negligible.

The school funding authorities had varying opinions on the exact amount of
growth and the exact amount of millage that should grow. Neil Johnson said, “Well, my
suggestion of the 1% is everything that’s collected, not just the 20. That’s what I’m
saying. Alright. Let that increase the 1%. I’m not saying the 3% inflation or 4%
inflation’s been running…” Vlad Dragich offered a higher percentage, “Right, the purist
way would be that it (millage) grows, as values grow. I mean it would be, to use our new
governor’s (Kasich) term, it would be market driven. The negative to that is that I think
politically you’d have to cap it somehow. “ He further elaborated, “I just don’t think it
should be so completely flat (zero growth on property because of HB 920), you know
what I mean. I think, if there was a formula that kept it to a percentage based on some
CPI or something and that way you wouldn’t have the excessive growth just because
values are going up 13 and 14%.” Matthew Drew offered his Blue Ribbon Task Force
experiences dealing with the millage amount:

We would have liked to have solved phantom revenue. Our proposal was allow
the millage rate in the formula to grow whether it’s 22, 23, 25 and have 920 apply only to
the millage rate above that formula. That was always a position, if you allow growth to take place for every school district based on the millage rate that’s in the formula, whatever that is then phantom revenue is solved. Then their first 23 mills would be considered like inside millage does now. And now it’s divided. If you’re up to the 20 mill floor you’ll get an increase in taxes because you’re at the 20 floor, but if you’re not, you’ll get it on your inside millage of four or five mills. Well, we already have a problem.

He also discussed the percentage growth on that millage:

We talked, we went both ways. We wanted initially we were to talk about a growing with property value. Then they said, and this was a time when property values could have been going up even more than 5%, so you said “Aw can’t do that.” So alright, how about if we tie to some kind of an index? This was researched on the Blue Ribbon Task Forces, came up with a fact, there is a thing called a School Price Index. I didn’t know that, but it’s actually kept by somebody in Washington, a bureau because a Consumer Price Index doesn’t measure what we buy. Schools don’t buy property, we don’t have mortgage on a house, we don’t have food to eat, and so forth, other than a cafeteria for the kids. The School Price Index measures the commodities that we basically purchase. It has to do with a labor piece and it has to do with tax materials and paper. So what talked about was tying it to an index like that with maybe a cap of 4% or 5%.

Now, the goal was if property values went up about identical then the state piece
went up about identical then we would maintain the ratio. In other words if state aid went about 5% a year and the local piece in that formula went up 5% a year.

Frank Hobart also offered his recommendation:

You’re still going to have the issue of needing to have local levies on a regular basis in order to keep local money where it needs to be and so I think that part needs to be fixed as well. How will you fix that, the simplest way is to change 920, move the inflationary trigger. My idea that I had a 20 years ago, I think it’s still a preferred idea, which is to have a 920 work so that, the millage the reductions, and the millage reduction doesn’t start until you allow some level of growth in property taxes before you start reducing the amount. And that can be a fixed percent right, 3%, 4% it could be a percent, it can be a percent which is you know whatever the CPI is, it could be some fraction of the CPI, right. We need to have something that we are working on which addresses the issues that districts need more money over time just because things get more expensive over time. There are more additional mandates, there’s teachers move across the salary schedule, I mean there are all sorts of things that can happen. I don’t think HB 920 was a completely bad idea, the part of it was that was bad was that it doesn’t allow any of us growth, it triggers at. The problem is not that there is a trigger.

Paul Tate also offered his thoughts on this issue:

If it could be on all the millage of it’s great. It would make sense. You would see, you would see incremental tax increases. I mean, you could cap it at two or
3% total, so that people don’t get upset, don’t report it and you could start it now going forward. So, and again, I, you know, the debate would be over whether, “Alright let’s put it at the 20 mill floor”. Getting a 20 mill floor grows, it’s either going to, a 20 mill floor will grow with your property taxes. If your house values goes up and you’re at the 20 mill floor, you will pay more. So, I’m not sure if 20 mills is adequate, although if everybody was, if everybody got the same growth at 20 mills, then it would be considered fair.

Based on the analysis presented above, it is fair to say that an incremental increase on millage is preferred. The question for further study is the exact percentage increase, tied to what indicator, and applied to what exact millage.

*State task force data.*

The task force studies did speak to this situation of allowing growth. Recommendations 8 - 10 in the 1989 Cupp Panel Report in the Ohio Senate dealt with this exact issue of allowing some type of incremental growth in revenue for local districts to help with rising costs. These recommendations stated that the state legislation should, “enact legislation to permit city, exempted village, and local school districts to adopt a voter-approved school district income tax” that would, “permit reasonable growth in local revenue,” “give school districts authority to obtain voter-approved property tax levies that are phased-in over several years to provide needed growth” that would, “be in increasing amounts (e.g. 4% more year)”; and that, “The Ohio Constitution should be amended to permit Boards of Education to seek voter approval for property tax levies for which
effective millage would not be reduced because of increasing property tax value, except as prescribed in the levy” (pp. 10-11). Obviously, these recommendations are directly related to the revenue issues caused by HB 920 and the corresponding lack of growth.

The 1991 Joint Select Committee considered a proposal to allow growth on 20 inside mills directed towards the local school district but declined because it felt this measure would only help property rich districts and would exacerbate wealth differences. Also, the committee stated, “the General Assembly has enacted a multitude of measures within the past few years to provide local schools and their voters with new options and greater flexibility (p. 25),” referring to the income tax and phased-in levies options, as well as the replacement levies (1990), which allowed communities to overcome the effects of HB 920 by removing reduction factors in effective millage. The committee felt more time was needed with these measures, but it is apparent from the authority experiences in this research that incremental growth on property value is still seen as crucial to improving school funding.

Additionally, the 2000 Joint Committee realized the importance of incremental growth on the base cost, “by applying the inflationary factor of 2.8 percent to the FY 2002 base cost formula” (p. 35) to derive the base cost for FY 2003, although this recommendation did nothing to address HB 920 and the local voted millage. In 2005, the Blue Ribbon Task Force did recommend incremental growth with a cap on limited millage with their statement:

To stabilize school funding, allow local school districts to experience the growth
– with a cap – in local revenues that are factored into the state’s funding formula but are not realized by the local district. The problem of “reappraisal phantom revenue” must be eliminated. Balances the interests of school districts and property owners by providing each district with 22-mill growing levy under a growth cap (Executive Summary).

The Ohio Legislature has not enacted this change to match the recommendation.

**Constant Levies.**

Along the same lines of the discussion above about local school districts, there is a constant need for school districts to pass levies because of the current funding system and a lack of growth in revenue. In these difficult economic times, many schools are actually receiving less state and federal aid, while their local revenue does not increase without a vote from the local citizens. This situation leads to conflict within communities and voter fatigue, as schools continue to be on the ballot every few years. The only other option is for schools to continue to downsize their staffs and eliminate services. Experts agree the data show that the state is probably about where it would be with respect to taxes had the millage been allowed to grow and not been voted on but without the strife. Also, Ohio has had more levy issues than most other states, and these campaigns put a strain on local politics and voters. This constant tension would not be necessary if some growth for schools is allowed on existing property taxes or if there is some other mechanism to allow growth besides local communities voting to increase its property taxes.
**Constant levies: Issues and ideas.**

Participants articulated their thoughts on the constant need for local levies because of the lack of revenue growth. Gordon Marnes explained his school district’s situation, “And in that Five Year forecast, it’s a gloom and doomer when you look out there. That’s why this levy’s sitting out here so importantly.” Peter Bates described the dynamics between the state legislature in Columbus and the local schools:

Now, you know, when I go out in Broad and High and say to people say, “Well, this year but we don’t have money”. But what are they doing, they’re forcing schools back on the ballot, Licking Heights over here announced 11.9 mill levy, Licking Heights, are they going to get an 11.9 mill levy? No way! Either the legislature finds the money but it’s very, very uncomfortable for the legislature to say, wire me money.

He also stated, “House Bill 920, the only thing that House Bill 920 does is causes grief to schools and the districts that have increasing valuation…If you had just frozen the millage of all school districts in the state at all times (since HB 920), and let the revenue grow with the valuation you come out about the same place.” Frank Hobart explained his thoughts:

I think it went too far (HB 920) and I think it creates a system where I think that you shouldn’t have, you know that your school district or some local government,
I don’t think you should have constantly to ask permission to keep providing the same level of service. You go to voters when you want to do more, they will let you know when they want you to do less, right, but the fault should be you should be able to continue to provide the same level of services without having to ask permission.

Wade Daniels said, “So, you have no choice but to periodically ask for more property tax income to offset inflation and new mandated cost or new educational things that the technology may offer.” Neil Johnson concurred saying, “And again, if you need revenue, then to operate programs in those districts (not on 20 mill floor), you got to get it from the local property tax owner through a levy.” Frank Hobart also mentioned how unique this constant levy process is to the State of Ohio:

So we’ve got over 10,000 school levies over the 20, 25 years, we’ve got some average about 300 levies per year and that’s just operating levies. When you throw in capital levies, it’s even more. I’ve got a data base sort of shows, it’s been tracking school levies since 1984 and I can show you they fluctuate up, they fluctuate down, the passage rate is about 50% or so, sometimes it’s higher, sometimes it’s lower. But, we have many, many, many more school levies on the ballot for voters than any other state. It’s hard to get data from other states to quantify how much more we have but I know from talking to people across the country there is nobody as close to us. I’ve been on panels with some people
from Massachusetts, you get hundreds of levies. That’s great, you’ve got hundreds, we’ve got thousands.

The school funding experts mentioned the local dilemma of asking for levies and continually cutting costs. Gordon Marnes explained:

So, right at this (when you have no growth) point, as a decision making group, your boards of education, administrative team had to very quickly decide, “Alright, we’re going to use some of our carry-over, which is our savings account. Do we go to levy right away? Do we cut and reduce or do you find a combination?” So this was cyclical about every biennium budget districts were going through this evaluation just to get themselves back to the line that they had started with at the beginning of the biennium.

Paul Tate also discussed the situation created with lack of growth and decreased state funding:

Because right now, the numbers we already have based upon the formula, that number is lower than what it should be. It’s not fully phased into 2019 and we’re walking into the next budget cycle knowing full well we have everybody’s budgets have been cut. So you can fiddle with the formula all you want and say well, let’s spend all our time on the formula. Well, no, I didn’t spend any time on the formula. We’re spending time on I don’t know how many are taking a 10 or 20% budget cut and survive. So, I got to be on the ballot. That’s why our district is on the ballot. We have been planning for, you know, freezes and salaries trying
all they can to reduce their budget, because they know less is coming from Columbus.

In relation to the constant looming of levies is the relationship of school districts to their local voters and the tension that occurs, sometimes moving towards the phenomenon of “voter fatigue” or “levy fatigue.” William Holt shared his difficulties, “Well, you know, I never lost a levy until I had House Bill 920. But the confusion it causes makes it much more difficult to pass levies, because somehow or they think they’re being cheated.” Frank Hobart observed:

I mean it’s been 20 years, more than 20 years since I’ve been working on this stuff here. I think during that time it’s getting, the levy process has gotten much more divisive and much more difficult for local school districts, so you don’t have to look very far from wherever it is that you would live in Ohio to find a place where you have a levy and set people within the community against each other. You have people who have kids, people who don’t have kids, older people, younger people. I think it’s just a repeated nature of that when you go to the ballot over and over and over again. At some people don’t care why you can explain to them how the law works, you can tell them your school district is not mismanaging funds. At some point they just get tired of voting on the same thing, so people started calling that phenomenon levy fatigue. They don’t care why you’re asking, they’re just going to say no. Since people don’t get a lot of
chances to say no directly on tax issues. When they do have a chance they tend to take you up on it.

Paul Tate added his take on the local situation:

So, 920 has really caused this, because there’s an over reliance on property tax and there’s no growth attached with it. Schools are caught in this vice, so the state can’t provide you an adequate amount and not enough money to continue programs and I get no growth at home, and the only way to grow my tax revenue at home is to be back on the ballot and that’s what 920 has done. Some would say that’s, I mean, that’s what it was intended to do was make everybody accountable. To some extent, I agree. On the other hand I think because of the, what you get over time is you get voter fatigue.

The merits of the system can be debated, but the amount of money, time, and effort school districts put towards levy campaigns combined with the strain in relationship with the local community seem to be inefficient use of resources in a time when efficiency is demanded. It seems especially ridiculous when alternatives, such as incremental growth on available property taxes, are available to the state legislature.

**LEGISLATIVE ISSUES**

**Legislative Process.**

Throughout the interviews with funding experts, there was a strong pattern of returning to the idea of school funding being a legislative process. The formula and all changes are a result of laws and politics with schools being somewhat at the whim of this
changing tide. Whether the politics are local with the school board and voters or state-wide with a governor change or nation-wide with the recent surge of the Tea Party, school funding is a political topic and cannot be separated from the larger scope. One positive point that some participants raised was that education was now more recently being connected to the health of the economy. This connection is important because an investment in schools and education is seen as an important piece underpinning the economic health of the state and country.

**Legislative process: Issues.**

Peter Bates and Matthew Drew were able to share some of their experiences from working in the State Department of Education and Blue Ribbon Task Forces in dealing with the political nature of the executive and legislative branches in Columbus and their take on the current situation. Peter Bates began with his recollection of the Walters Case:

Well the foundation formula, well, actually in 1976, the Cincinnati Board of Education filed a complaint in the, filed a complaint in court contending that an education is a fundamental right (Walters Case). Yeah, contending that state was not meeting the terms of “thorough and efficient” clause. Now, that decision was, obviously ruled, the court ruled in favor of the state on that that was purely a political decision. Absolutely a political decision, I was in the state Department of Education, followed that case, and I saw firsthand how it was a political decision. In fact, the legal scholars consider that a very curious decision, essentially what they said was that, the tradition of local control trumps state
responsibility. I know it was a political decision. I know that the Chief Justice of the Supreme Court of the time, the Speaker of the House, the President’s Senate. The governor met and decided it would not be the best interest of the state and the people involved in that time for the court to rule in favor of the plaintiff school district Cincinnati, so, it was totally off the mark, totally political.

He also recollected some of the background proceedings during the *DeRolph* Case:

But, at the same time Governor Voinovich and the leadership of the House and the Senate at that time decided to appeal that *(DeRolph)* case and it was obviously appealed to the Fifth District Court in Canton. Now, the State Board of Education, however, did not vote to appeal. They voted to let it stand and develop their plan to go to the legislature. Well, Voinovich and company overruled the State Board of Education and by the way to use tangentially, that’s at the point where Governor Voinovich renewed his effort to get an appointed State Board of Education. That decision was by the State Board, an all elected body at the time, independent of the Voinovich’s office. Voinovich’s efforts were renewed to get an all appointed board.

Matthew Drew shared his experience in trying to tackle phantom revenue:

The good news with the Blue Ribbon Task Force, which I think we lost an opportunity, is that the business community finally became convinced that that phantom revenue issue was a problem, even though it meant solving it with some unusual pieces. You know that, that can’t be, you can’t have a formula that defies
itself. That was the Chamber of Commerce, the High Business Roundtable and
the High Manufacturers Association, all seemed to know reluctantly, that has to
be solved, we have to do something about that. When the total report of the Blue
Ribbon Task Force was issued and key legislatures including the Governor (Taft)
who had appointed that commission, basically said, “well, we’re really not going
to do much with it.” They politically backed off as well. What was the political
motivation for them to get involved in something? So yeah, I’m discouraged and
part of that has to do with, I was on every commission that we ever had, Blue
Ribbon, black ribbon, gold ribbon, etc.

Peter Bates also shared his frustrations with the political aspect to the current
funding dilemma. He said, “Well here are the needs of kids up here and all at once the
funding level goes down. Now, the media will spin and politicians will spin, we don’t
have the money so the only thing we can do is cut schools. Well think about it.” He is
unhappy with the current situation regarding funding stating:

Now, unfortunately, we’re in an era where school people are resigned to a cut,
and won’t fight for too much. So, there is not going to be a lot of emphasis on
this whole concept on what is a “thorough and efficient” system. You know,
there is a good reason for Kasich saying that we’re going to get rid of the
Evidence Based Model, his reason might be just political. For people to
understand the situation, the reason is let’s get rid of this model on the state to
develop a “thorough and efficient” system and to fund the system. Let’s just
throw a little money to the school districts when we’re able to throw a little money at them and let them fend for themselves.

Other experts made comments about the political nature but with respect to specific funding issues. Wade Daniels discussed politics regarding pooling state taxes throughout the state saying, “I don’t know that you need to get as radical as pooling money at the state level for redistribution. That doesn’t seem to be a popular notion at any level of government all the way up through Congress at the moment.” Matthew Drew discussed the politics of consolidation of school districts:

I think there will be a lot of talk about consolidation and I think they will be pushed back from the local communities. The point is it won’t happen. Now let’s talk politically, whether you put this in or not or whatever, but we have got a governor that says we have to do these things. We got people in leadership that says we have to do these things. Who’s in the leadership, the Republicans are in power no question about it. They got a Governor (Kasich) who can indicate what he wants on Thursday and it can be law on Tuesday. Now, there’s this, it’s just that quick things can happen in terms of that. Where are the Republicans really strong in this state, well in Western Ohio in one place and really in the rural areas that I mean we are talking 70 people. And Democrats don’t even identify themselves in that part of the state. I know I grew up there, I know that part of the state and that’s what small districts are. So we are going to, when the brass get’s down, “oh I didn’t know you were talking about my district.” You ever heard of
St. Henry school district and you know they are famous, they are a small little district in Mercer County, but it’s produced like a five or six NFL football players and it’s usually number one on test scores and so it does well, and we are going to tell them they consolidate with Cold Water. I don’t think, I mean, I don’t think so and yeah, I think the push back will be, I mean, it will be, I am going to just watch. I am not going to get involved with that.

Ray Juliati mentioned politics with respect to modifying HB 920, “I don’t think it’s (modifying HB 920 to allow growth) worth the effort. I think it’s dead in the water. If taxes, we’re in cycle where taxes are the only issue. It’s not going to happen. I support it as a superintendent, but I don’t think it’s politically feasible.”

_**Legislative process: Ideas.**_

Other participants discussed politics as well but in the context of the political will it would take to muster some sort of solution for school funding, which may entail increasing revenues at the state level. Gordon Marnes claimed, “With this situation, and we’ve been able to go to Columbus and at least talk to legislatures about this. The best thing, if there was the political will, and I’ve got to share this, the political will to do it, would be to find a proper combination of property tax, sales tax, and income tax; property, sales and income.” Paul Tate agreed and made the comment, “How much stomach, do we really want to know what it (education) costs? I mean politically, how much political will would people want know what is it really going to cost? I think some of the issues that are now kind of percolating.
Many of the school funding experts discussed the issue of politics, voting, and the legislature within the context of solving certain aspects of the school funding dilemma.

Evelyn Crouch said of creating a Circuit Breaker:

But if there’s a certain political advantage and not needs testing it and you want, just like you don’t want to zero out all state subsidies for wealthy school districts, I mean, you need, you need to hold a political coalition here together. You need to have stakeholders who, who have a general interest in the policy and so, I think it’s probably politically wise…Well, does it make people more apt to vote for levies because it won’t impact them? And I think probably, you know, state-wide, it probably does, if people understand it, which—that’s hard.

William Holt made a comment pertaining to the same issue, “There’s no sense with my income that I ought to be getting a Homestead Exemption, except I vote. Senior citizens vote in a greater percentage than others. If I were sitting in the General Assembly, I would probably look at the politics.” Neil Johnson added, “One of the things that I see in there is the fact that there are entitlements that we will protect, and two out of the three of them have to do with senior citizens because that’s the one, that’s the most heavily voting element that you have in our society, and nobody wants to antagonize them.” Paul Tate had similar thoughts regarding this political exchange:

I think it was a politically expedient move (expanding the Homestead Exemption to all senior citizens). Remember that credit is paid for by the state not by the locals, so the fact that they gave the credit didn’t necessarily help the local district
in collecting more dollars. It’s created, maybe in their mind, it may be a better climate to be on the ballot.

In a positive light with respect to the legislative process, there is a more recent trend for the public and state legislators to see the importance of investing in public education for the economic future. Wade Daniels stated:

There are two things, in that last ten years of the discussion. First is whether it is K-12 education or higher education, more and more people have come accept what many of us always believed that a quality education produces quality workers, which is a positive economic influence. And we’re seeing a lot more studies being done around the country. Eric Fingerhut, the Chancellor for Ohio, has cited several studies saying quality education is what’s really going to drive the economic recovery in Ohio and in the Great Lakes region. Early in my career, we never had a connection to what role education played in the general economy. He added, “And now, I think it’s evolved (from being seen as a drain on resources) to where we are part of the economic engine, and the better quality workers, the higher educated work force we have, the more competitive we’ll be in Ohio and the Great Lakes region. So, I think that’s a very positive factor.” This type of conversation can only be helpful to the state of school funding in Ohio going forward in a sense that educational funding should be given some type of priority.
Problems With OEBM.

One particular legislative issue that arose with all experts was the previous biennium budget law (July 1, 2009 to June 30, 2011) that created the Ohio Evidence Based Model (OEBM) for school funding. While many gave credit to Strickland for attempting to define “thorough and efficient” with the research-based definition of the critical components of a quality education, there was also much criticism about the problems with this model. Two of the biggest issues were that there was no money to fund this model, leaving it to be phased in over 10 years, and that there was much confusion over the definitions of many positions, as labeled in the PASS Report. Experts acknowledged that it is difficult to evaluate the model and whether it would have been a long-term solution because it was not fully or even partially implemented and will not ever see that chance to proceed with Governor Kasich being elected. It is possible that the problem is not the mechanics of OEBM. The problem is that the state did not raise sufficient revenue to fund the model. State officials have been more interested in reducing taxes than fixing the school system. Hence, it can be argued while many are currently blaming teachers, administrators, and Strickland for what is wrong with the system, substantial blame may lie elsewhere.

Problems with OEBM: Issues.

School funding experts made some general statements about the lack of money available to fund the OEBM. Evelyn Crouch said of the OEBM, “In the sense of is this state ever going to fund that? The answer is no, we never will. So, politically, it’s not, it
wasn’t feasible, it wasn’t, it wasn’t good.” Others like Peter Bates drew parallels to the Equal Yield Formula stating, “Unfortunately nothing will work well now. I mean no formula will work today. I mean, it’s like the Equal Yield Formula wasn’t inherently bad back in the 70s, they didn’t fund it. They funded 17% of the difference. But, today, the districts would be lucky if they don’t de-fund it by 17%.” Matthew Drew also discussed the lack of money for the OEBM in terms of the past:

> It (Equal Yield Formula) was too cost prohibiting so they decided to phase it in, and by the time it was phased in, everybody was on the guarantee which means it wasn’t working. That’s close to where we are now. Here we got a phase in Evidence Based Funding Model and we’re very close to a huge number at least half or more on a guarantee.

Peter Bates placed the blame on the State of Ohio for continuing to erode the tax base, “The first governor in history that tried to do that (define services to fund for students), now unfortunately Governor Strickland had 3.2 billion dollars less tax money in his fiscal year, than Taft had in fiscal year 2006. I mean from ‘06, to ‘10, 3.3 billion or so dollars less tax money.”

Other participants agreed with the fact that there was not nearly enough money for OEBM’s mandates. Ray Juliati exclaimed, “So many of his (Strickland’s) mandates just made no sense, you know, it’s the funding system, we’ve, we’ve changed funding, but we don’t have money to do it. It’s just a, it’s just a paradox of positions.” Although
Gordon Marnes gave Strickland credit for trying to create an adequate funding model, he agreed with idea of lack of funding for the mandates:

The problem was, to fund that correctly, there was no way. There’s an eight billion dollar hole right now. So there’s no way that this can be engaged. Yes, it is cost prohibitive right now…What they chose to do is actually take the SF-3, set it aside, and run you through the PASS formula and stick numbers through those lines. Well, when you start looking at those numbers, you can’t maintain those as a local district.

William Holt also spoke about the unfunded mandate aspect of the OEBM:

I had a difficult time with it (OEBM). I have a difficult time with any unfunded mandate and I’m sure others talked to you about the all-day Kindergarten and what that would cost those schools. Individual schools were not unique situations, you know, if you had to build more rooms, you had to hire more teachers and so forth and there was no additional state aid. There was some additional state aid, because you were now counting kindergarten as full students, not half students, but that was about it. You know, I fully endorse the idea of all-day Kindergarten. Again, I think the research is pretty uniform on that need for early childhood, strong early childhood programs, but the cost of implementing that was horrendous and there are other things like the building business manager. Great idea, but it must have been New Year’s Eve when they came up with that one, particularly when they weren’t willing to fund it.
Wade Daniels expressed his discontent with the multiple components of the OEBM that were not funded:

My analysis of the Evidence Base Model was always based on a fully implemented model, with the idea that when it’s fully implemented, all these pieces and parts come together and they’re supposed to do something. So, that’s, my analysis has always been not on what’s funded this year, which is virtually nothing, but what would be funded when it’s fully implemented. And, I’m not sure I understand.

From many participants’ perspectives, the OEBM is impossible to evaluate because of the timing and lack of resources. Frank Hobart articulated:

I think frankly it is impossible to evaluate it (OEBM) because at the same time that we implemented the EBM was right when the effects of the recession that we are in are hitting and so there wasn’t any additional money to put into the new model and basically there’s about 20 districts over the last two years that were even put on the model. So the model works in a way where no district can get more than .75% increase, for no district to get no more than 1% increase the first year and the 2% decrease the second. So districts that are kept at .75 or they are propped up by saying you are on the guarantee, which only leaves only about 20 districts who are actually on the model. So with those ranges you really cannot evaluate the model because of where we start. So, it may leave before anybody gets on it any moment and really nobody really knows what the new governor
(Kasich) and the legislators are up to this year and what they are going to do this year. There’s even a bigger budget problem this year then there was in 2008. I mean, education’s largely insulated from the economy, but if all of the other areas of state government suffer, you got an eight billion dollar budget problem which needs to be filled and everybody is expecting this time around, education is going to get cut and so you know it’s going to be the same thing.

Matthew Drew also mentioned the experiences of educators and the lack of impact of OEBM saying, “But ask the people in the field how it’s been these last four years. In talking to a Superintendent recently, he said he gets 70 or 80% of his money from the state, ‘I haven’t had any additional money from the state in four or five years.’”

Paul Tate explained, “That’s been the problem too running into it because now we’re in very suppressed economic times, so they (the state) don’t know. It’s almost impossible to fit that (fully funded model) and based upon what’s going on in Columbus now,” and added, “(Strickland) keeps saying that by ‘19, they’ll be able to fully fund their model, but it maybe even be longer than that. Quite frankly that’s a long way off.”

Financial documents/State task force data.

Analysis of the PASS Reports in the Fiscal Year 2010 supports the claim by participants that there truly was not money to fund the Ohio Evidenced Based Model. On the form, multiple areas were listed as not funded or partially funded. These areas included, Guidance Counselors, School Wellness Coordinators, District Health Professionals, and Non-Instructional Aides with no funding whatsoever; other areas, such
as Resources for Operations and Maintenance, Resources for Gifted Ed., Resources for Enrichment for All Students, Licensed Librarian and Media Services, Technical Equipment, and Resources for Instructional Materials were only partially funded with most being only 20% funded. Additionally, even though all-day Kindergarten had been a directive from the state, there was no line funding this mandate (ODE, 2011). In returning to the 1989 Cupp Panel Report, it would confirm the school funding experts’ conclusion that legislative actions taken should include funding support as well, as one of the recommendations was that, “The cost of new state mandates should be calculated and included when establishing the per pupil foundation formula funding level,” and, “failure to provide additional funds for what is newly mandated can disrupt local school financing and require reallocation of revenues away from existing programs” (p. 6).

Problems with OEBM: Issues and ideas.

The school funding experts also stated specific problems with OEBM and PASS, including definitions that created difficulties. Evelyn Crouch’s issue was equity, “I don’t think OEBM was equalizing on the way, I mean, if it got fully implemented in the long run, it probably would have been fairly equalizing, but in the mean time, it was actually giving bigger increases to wealthy districts. I did a paper on that last year.” Neil Johnson took exception to the inclusion of aides, “The funding formula, the Evidence Based Model, said there is a place for aides. I’m not convinced where the place for aides is yet because I still feel that the professionally trained teacher is better than the aide. The aide does administrative clerical type things, it’s the teacher that teaches.” Frank Hobart
struggled with excluding the Parity Aid and the specifics of the Education Challenge Factor:

When the EBM was developed and they threw out the old model. I was hoping that they would still keep Parity Aid. Parity Aid is independent for what your model is for funding the adequacy and again, I think the governor’s office didn’t see it that way. Maybe (Strickland) wants something that doesn’t looks like, “here’s a piece where if you need this that means your model is not working”.

The idea for the Education Challenge Factor was, it was taking the place of parenting, it was taking the place of you know the poverty based systems that we have and the system we pulled some pieces out you know. And then the Educational Challenge Factor was replacing that and so people were complaining about who was directing money and we kept trying to remind them it was serving the purpose, elements that used to be in the old formula that aren’t there. The big problem I think with the Educational Challenge Factor in the new model was that they didn’t start it at one. It was below one and so if you got something that your model is in a Evidence Based way, everybody gets these resources. But then you have something that you multiply by it so people are getting less with the Evidence Based, it says, it causes people to lose in some ways, so they say are we getting everything we ought to be getting from this model.

Wade Daniels discussed the confusion over some of the definition issues included in the PASS:
For instance, in the new Evidence Based Model, there’s funding for something called a “building manager.” No one knows what that means. I think this came from the concept that the state of Kentucky uses where they have a super secretary that is responsible for operational matters within a school building. So that the principal’s relieved of managerial duties and can focus more on instructional duties. I think that’s what that means, not sure. The Evidence Based Model has something called “lead teachers.” I’ve never seen, in the seven districts I’ve worked in or the many districts I’ve consulted with or worked with when I was at the Department of Ed, I’m not aware of any district that ever had something called a lead teacher. We don’t know what that is. Is that a department head at the secondary school? Is that a professional development type person that’s a teacher of teachers? Exactly what is that thing? So, part of the research evidence that the Governor used to plug into this includes elements we’ve never seen before, not quite sure what to do with.

Financial documents.

In viewing the PASS Reports of the participants for FY 2010, there were multiple terms that are unfamiliar to educators and need to be defined. The areas of Lead Teachers, Family and Community Liaisons, School Wellness Coordinators, District Health Professionals, and Building Managers are all new terms that had no place in the SF-3 Reports, probably causing some confusion for school districts and a need to
“operationalize” what was truly meant by the state when these phrases were created (ODE, 2011).

**State Ownership.**

A large part of the legislative aspect is that the state constitution dictates a “thorough and efficient” education for all students with the judicial branch ruling in *DeRolph* four times that the funding model was unconstitutional and needed to be overhauled. This situation places the burden on the governor and state legislature to provide this system. To date, this overhaul has not been done. While experts would advocate that the state make this fix a priority and that the state has the right to make decisions for all districts in the state, the concept of the state pooling or recapturing all local property tax dollars at the state level to provide for a funding system was not supported. Some participants feel there is accountability in localities with local tax dollars remaining in the community and that recapture would be a political nightmare with wealthy districts and taxpayers revolting against the idea of their dollars going to surrounding poor schools. Historically, the total redistribution of wealth has been a political impossibility.

Regardless, the state has a legal responsibility to provide a “thorough and efficient” system and currently has an unconstitutional system that has not been sufficiently remedied. Every child has the entitlement of a thorough and efficient system of common schools. The state has access to various tax sources and is obligated to tap those resources to make high quality educational opportunities available to every
child. The state could levy a statewide property tax, if necessary, to defray the expenses of the state. On the other hand, state spending for education and facilities has significantly increased since the DeRolph Case, and this environment has brought more attention and priority to the issue of school funding.

**State ownership: Issues.**

Multiple participants discussed the concept that placing a priority on funding public education in the state budget is the correct approach although this obligation is not necessarily fulfilled. Peter Bates described the lack of priority on school funding leading up to the DeRolph Case:

Well the state priority went down for education at the same time that we were adding Vocational Education which is high cost, Special Education was high cost. All this testing business, which is a high cost thing, so more was being put on schools and a lesser percentage of the state budget going to schools from 1975 to 1992, the state went from 45% of its budget going to elementary and secondary education, to 34.5% of its budget going to elementary and secondary education. Pete Bates also recalled a conversation he had with Governor Strickland to advocate this type of priority saying, “The first thing the state must do is acknowledge education is a state responsibility and start acting like it’s a state responsibility. That’s it. That’s not an over-simplification.” Peter Bates also tied in his thoughts to the legal obligations in DeRolph and the Ohio Constitution summarizing the state was obligated to create a ”new formula to get rid of the residual budgeting, which is a concept of politically determining
an amount of money. Building a formula to distribute that amount of money, as opposed to that formula not having any direct relationship with the needs of students” and, “This isn’t rocket science here, the state is responsible for a thorough and efficient system.”

Frank Hobart also made mention of the state’s legal obligation:

What they were doing (with residual budgeting) was choosing what the state could afford to spend on primary and secondary education given all of the other priorities and have to balance in terms of spending and what the revenues have are. That’s what the legislature is elected to do. That’s fine unless you have the constitution telling you that there is a certain type of service that needs to be dealt with in a different.

Another topic discussed in this context was the state ownership of decision making for all school districts, which the experts would say should accompany more priority being placed on funding schools, if mandates are funded. Wade Daniels discussed this concept and the evolution:

Now, if you talk about what is that state’s role, it is clearly the state constitution requires for a common school system that are both “thorough and efficient” and that we provide free public education. We also have compulsory attendance laws and all of those things are the funding piece. The state has evolved from two centuries ago where it was pretty well defined that local taxation started with property taxes from the beginning of our statehood as the primary way to fund education because it was deemed a local control issue. Through the decades and
through the two centuries, the primary source of funding tended to be from state funds rather than local funds so we see a gradual long time shift in funding that has put us in direct conflict with the notion of local control. Generally, people believe whoever is providing the majority of the money gets that majority of the decision making, and we’ve seen that shift from the local communities to the state.

Vlad Dragich also joked about this state responsibility and the ownership that comes with increased funding:

The local community member says “but I don’t, I’m sick of this so I want more state, I want the state to be more responsible funding for the locality” so your Treasurer says that and the state says, “Okay, we’ll pick up another 5% but we want you to make sure you’re doing, this, this and this.” Then you go, “but wait a minute we’ve got local control.” So, I think sometimes the local people are funny. If we want the state to pay all of the bills but we don’t want them to tell what kind of bills we’re allowed to have. You can’t have both. It just can’t be both ways. If we’re going to shift to a more state system than the state takes more responsibility for the payment of the freight then the state is going to have more of a right to say what the freight is.

Peter Bates stated his support for state priority and ownership:

Well, let’s suppose you know, we in education are always yelling goodbye on unfunded mandates. Is the mandate to offer vocational education is that a good
thing? Is a mandate to offer special education a good thing? Now you know, the state, is responsible for a “thorough and efficient” system, the state is in the mandating business, that’s what the state does. If the state is going to do its job it’s in the mandating business, but it needs, the state needs to put the money out to fund that mandate.

Ray Juliati also made mention of the state’s role saying and his concern for lack of accompanying funding, “Well, they’re (the state) going to say that they’re not going make mandates that we don’t pay for, but they always do. There’s not much that they don’t do, you know.”

Even though participants supported state priority and ownership of school funding, they were not generally supportive of the concept of state recapture or pooling of property taxes from all localities. The school funding experts anticipated serious push back from local schools and communities to this idea. Evelyn Crouch pondered:

I don’t think it (recapture) would fly in this state. I think people think local is their money. I just, I just don’t see it happening. They do it in Texas, so I think, I think they still have that. They did for awhile, where a wealthy district had the choice of teaming up with a neighboring poor district and pooling or sending their extra money to the state and you know, I think it might work if you, but I, I don’t, I don’t see it working that way either. I can’t imagine that Solon would want to pool with Cleveland or you know. I mean, it just wouldn’t work. I mean, it
wouldn’t be accepted. I think the schemes that I have seen don’t help the poor districts as much as they hurt the wealthy districts.

Ray Juliati said, “I think they (the state) would like to do that (recapture). I think it’s political. I just think politically, you’d never get it.” Wade Daniels stated his opinion regarding local schools, “So again if we want to move to either a county-wide education system or one state system, OK, but as long as we’re going to some type of educational system that’s based on local control I don’t see how it can happen. I don’t know that you need to get as radical as pooling money at the state level for redistribution.”

Some participants spoke about recapture with respect to wealthy school districts carrying the burden. Paul Tate explained:

But again, so if you made major time pooling, there are a billion dollars to spend and in order to get more money to some districts then we’re going to have to take away money from others, in order to give it back. So the districts create more of a problem by doing that. Well, what you did then, you are now because now you’re forcing the affluent districts to go back on ballot repeatedly to make up for the fact that they’re not getting anymore money, now you’re putting everybody in jeopardy, not just urban and rural.

William Holt also mentioned this concept and the reality of what is currently occurring:

Well, I think, I think its Arizona or New Mexico’s doing a limited recapture.

Yeah, the southwest states. I think it’s a good idea, but again, that’s because I’m a great believer in trying to achieve equity, but, you know, you want to serve only
one term in the legislature, go ahead and propose it. But isn’t that what we do now? When we take in taxes from Mentor more than we’re going to give back and we give more to Brown County than we give to Cuyahoga County, it’s not that much difference. We’re doing it anyhow; we just don’t know it yet.

Frank Hobart also discussed the wealthy district issue:

You run into some problems, for it to be residential property because you have you don’t have, you know if you pool the business property you can tell the residents of your district not a single dime of your property taxes is going somewhere else. So people in Hudson don’t have to worry about money, God forbid going to Akron, and the people in Beachwood don’t have to worry about it going to Cleveland, right.

Some of the experts defended the concept of local control, accountability, and the fairness of certain communities spending more than others. Neil Johnson stated, “I say, if people have more money because they have greater resources, are they entitled to spend more than these people who don’t have the same resources? And, I guess, down deep inside, I feel that those who have more are entitled to spend more.” He also explained, “Because there’s an accountability factor that goes with it right now at the local level. And you’d be taking away the accountability factor from that if you distribute it equally.” Frank Hobart also mentioned, “And I think one runs into problems if I think to a certain extent you look at residential property taxes as a user fee and you say you people have
chosen to live in those communities in the large part because of the schools, and I think the taxes they pay should go to those schools.”

**State ownership: Ideas.**

Participants also emphasized that it is the state’s responsibility to find the funds and the mechanisms to create the revenue necessary to meet its obligation. Peter Bates made his thoughts clear with respect to different nuances in the formula arguing, “If the state would meet its responsibility of a ‘thorough and efficient’ system it wouldn’t matter. House Bill 920 wouldn’t matter. You know all these things that people get excited about House Bill 920, they missed a big point” and with respect to the charge off, “whether it is 20, 19, 23, if the state wants to put it at 23, the state still is responsible for a ‘thorough and efficient’ system and it’s responsible for a funding to assuring that funds are available for the districts to offer that ‘thorough and efficient’ system.” Vlad Dragich discussed his time in the State Department of Education during the DeRolph saga:

When I got there (State Department of Education), we were really waiting on the response the second, we were waiting on the second response (of DeRolph). The second ruling of the court and I think most people when, at least when I got to the department, most people felt that it was still going to be unconstitutional. The state really hadn’t done enough, there had been the failed income tax, or state sales tax that, and while more money had certainly gone into, there still wasn’t a solution that felt the court would, at least the majority of the court would approve of.
Paul Tate declared his belief that the state must find the money as well stating, “We say that everybody, wherever you are in the state that the child in that district at least has that much money behind them no matter where they’re at. That’s the state’s, not the local commitment, that’s the piece that they have a hard to time doing because they just don’t have the funds to do it.” Finally, Peter Bates exclaimed, “If the state doesn’t have enough income tax, or I mean property tax, sales tax, cigarette tax, a state tax, then the state needs to address those tax issues.”

A couple of the participants would have been supportive of state recapture of business or commercial taxes but not residential. Frank Hobart explained:

But for the business property, it serves, an area larger than the specific community than they are located you know that will be what’s right for pooling, but they don’t have a lot of manufacturing property anymore. I think that would have been a good idea 20 years ago, and they had a chance frankly, and I had recommendations for doing it. If they had adopted them that whole TPP issue would have had been a lot easier to deal with if you were pooling that property rather than having it stuck in a single place so but anymore, I don’t think it’s worth the trouble so…

Vlad Dragich discussed his thoughts as well:

So I’m not a big pooling person. I don’t think you ever could pool residential. If you’re going to do it, it would have to be business. If you did that, I just, I don’t, I’m not sure how you would do that. TTP would have been perfect. Because the
argument you could have been made with the locals that this is a volatile source of money anyway. If we guarantee this money, we’re just telling you we’re going to pay for it by this money, but you’re not going to be guaranteed this money though the formula, then I think that would have been better.

As the experts explained, this opportunity of pooling Tangible Personal Property Taxes has passed, since the tax does not exist. On the other hand, the CAT and other business taxes do exist and can be used for this purpose.

*State task force data.*

The task force reports confirmed the state’s obligation to fund schools adequately, which includes generating enough revenue from taxes. The 1989 Cupp Panel Report in the Ohio Senate spoke the state’s responsibility and priority to funding Ohio’s schools appropriately. Their first recommendation was that, “The General Assembly should establish and adhere to consistent funding pattern to level out the peaks and valleys of annual changes in our school funding,” while noting that the state’s support of primary and secondary schools had dropped to only 37.6% of the operating budget (p. 3).

The 1991 Joint Select Committee reinforced this state commitment by making the recommendation that, “The General Assembly should establish as a goal the gradual increase of primary and secondary education’s share of the state general fund revenue budget to 33 percent by 1997. The phase in should take over 6 years. All of the growth in education’s budget should be used to fund the foundation formula” (p. 21). This statement means the contribution was not even at the 33% level, and the committee
recognized the need to place a priority on funding public education. The 1995 Sanders Report proposed two alternatives to funding public education, both of which would have increased the amount of money and the state commitment to the purpose, either through an equalized charge-off where schools would pay differing contributions of the “Total Program Cost” depending on their wealth or a revised tax structure that would repeal all current property taxes for school purposes, apply a 15 mill statewide property tax, and “increase State personal and corporate income and sales taxes sufficiently to replace local property taxes” to pay for all of the basic program cost and certain percentages of Tier II programming (Executive Summary).

The task force reports also made mention of the recapture concept. The 1989 Cupp Panel Report in the Ohio Senate confirmed the perspectives of those school funding experts who only recommended the concept of pooling dollars at the state level with only certain types of resources. The recommendation stated work should be done, “to pursue acceptable options for pooling business, commercial, and public utility property revenues to reduce disparities in local property tax revenue among local school districts and to enhance in school finance. They should incorporate ‘hold harmless’ provisions for all current resources and apply only to future building and expansion” (p. 8). The 1991 Joint Select Committee took the concept of “pooling” resources further and developed both guidelines and a recommendation with a focus on business and commercial property and utilities. The recommendation stated:
Future growth in Class 2 Real Property (Industrial, Commercial, Public Utilities) and in business Tangible Personal Property should be allocated to a countywide pool to the extent of 50% of the revenue growth. Future growth in Tangible Public utility tax revenue should be allocated to a statewide pool to the extent of 50% of the revenue growth. Funds from countywide and statewide pools should be allocated to school districts on a weighted per pupil basis (p. 15).

Regardless of these recommendations, the concept of state recapture or pooling multiple types of taxes has not caught on to the point of being considered an answer to the conundrum of public school funding in Ohio.
Chapter V

DISCUSSION

The focus of this study was to examine the experiences, perceptions, and ideas of recognized school funding experts with respect to important issues in public school funding in Ohio and also their suggestions on how to create a funding model that meets the “thorough and efficient” clause of the Ohio Constitution. The findings and recommendations of this research are crucial to the public school funding debate and a source of advisement for the creation of any new funding model going forward in Ohio and other states that might be facing similar issues. This chapter will discuss the implications, the limitations to this research, and suggestions for any future research in the area of public school funding in Ohio.

Implications

The findings relayed in this qualitative research study have value and implications for any future work aimed at creating and reforming future funding models for K-12 public schools in Ohio and possibly outside of the state. As explained in the introduction to this study, the significance of this research is giving voice to the recognized school funding experts and describing their ideas on how to positively impact school funding. While the amount of monetary support towards public school funding has increased since the DeRolph Case, the current budget situation in 2011 has put school funding in a precarious position with school leaders around the state voicing their anger and frustration with budget cuts and failed local levies.
The school funding experts that participated in this study have all experienced at least three decades of public school funding and multiple models during this time. They are recognized for their knowledge and expertise in the field and have dedicated their careers to the understanding and improvement in the way Ohio generates revenue and distributes money to its public school districts. During their collective careers, they have served as leaders in education with roles varying from superintendents to treasurers to professors to consultants to organizational leaders with a focus on school finance. Their testaments and statements about school funding serve as historical grounding and advisement for future reform. Their descriptions and stories capture the crux of both the details and the full picture of school funding, as well as possible changes to better serve the school children of this state. This study is important to anyone contemplating school funding reform at the state level because it relays the perceptions of the stakeholders and experts in the field who have experienced the progression of school funding in the last few decades, especially since DeRolph, and also the frustrations where the system has continually fallen short. Future leaders and legislators working in this field should consider the findings and recommendations contained in this study to improve their understanding and advise their decision making.

The duration of this chapter is dedicated to concisely relaying recommendations derived from the findings in Chapter 4, which organized the study into five categories related to Post-DeRolph public school funding. This chapter reviews each major area of the study’s findings in context to state task force work and current funding practices,
while providing suggestions for future school funding models. Afterwards, the limitations and suggestions for future research are discussed.

**State Formula Features.**

The first areas to address are the aspects of the state formula or model that are crucial to establishing a “through and efficient” system. The recommendations revolve around creating a credible base cost that applies to all schools. On the other hand, this same model must be able to adjust to the varying needs of different types of school districts and the students in those respective schools. Therefore, differentiating support based on student need and equalizing resources for those school districts facing poverty are also priorities.

With respect to establishing a credible base cost, the state formula must establish and commit to one, regardless of whether it is an Augenblick successful schools per pupil model, a foundation model with a focus on equalization, or an OEBM type model that spells out the components needed for an adequate education. A key to this base cost is commitment by the state and not moving back towards “residual budgeting” when economic times are tough. A true relationship between the educational needs and the funding amount should be apparent. The 1989 Cupp Panel Report (pp. 4-5) and the 1991 Joint Select Committee (p. 6) were clear that using “leftovers” in the state budget or “residual budgeting” was not appropriate and that an objective measure or rationale should be created to fund Ohio schools. The 1995 Sanders Report (Executive Summary), 1997 Augenglick Report to the state task force (pp. 5-6), and the 2000 Joint Committee
(p. 14) were all dedicated to establishing this objective measure and creating the adjustments needed for reliability. With the 2011 biennium budget, HB 153, there is no plan or objective measure with “residual budgeting” comprising the major methodology of funding for schools, although Governor Kasich has another task force working to create a new school funding model.

Once the base cost is established, the state must commit to the funding so that the model is relevant but sensitive to needed adjustments. Otherwise, the model will apply to small numbers of schools and many will remain on the “guarantee,” receiving the same amount of aid or perhaps a set amount (2% for example) less than the previous year. Any system where few schools are on the model will be perceived as similar to the Equal Yield Formula and the phased-in OEBM, and will run the risk of not being deemed as credible. Both the 1989 Cupp Panel Report (p. 5) and the 1991 Joint Select Committee (p. 9) confirmed that the “guarantee” should be a temporary feature of a formula and not a permanent solution. On the other hand, it is also important for the state to be sensitive to drastic adjustments in the formula that could negatively impact the funds available to school districts. The “phase out” and “hold harmless” provisions are necessary, such as the case of the transition from TPP to CAT Tax, unless a replacement source of revenue is created. Currently in HB 153 or the Main Operating Appropriations Bill for the State of Ohio, drastic reductions in the TPP are being made without replacement by the CAT Tax; additionally, all schools could be considered on the “guarantee,” since reductions or
the same state aid were distributed to districts because of the budget deficit (ODE, 2011, pp. 1, 2, 10).

Another crucial characteristic of the state formula is that it makes adjustments for the varying types of school districts across the State of Ohio. This task is not easy with districts varying from urban to rural to suburban and based on local economies ranging from industrial to agricultural to service. Within these localities, there are also huge discrepancies in wealth related to property valuation and income. The 1991 Joint Select Committee recognized these differences and recommended including factors that accounted for income and property wealth, as well as an effort factor that would aid districts poor in all areas but with taxes at a certain effort (pp. 3, 11). Along the same lines, a Cost of Doing Business Factor should be included that accounts for the varying costs in different parts of the state. This factor should not replace any type of poverty aid, ideally would be established per district and not county, and would take into consideration regional wages and the cost of living in those areas. The 1991 Joint Select Committee (p. 19) and the 1995 Sanders Report (Executive Summary) acknowledge the variance in these costs and supported a measure that would account for some of this difference, although the Cost of Doing Business Factor no longer exists. The closest adjustment factor would be the ECF in the OEBM, which was directed at helping schools with challenging scenarios to educate children, especially poverty.

Once an adequate and fully funded base cost is established to address horizontal equity (treating equal students in the same manner), it is crucial that any formula
differentiate for the needs of individual students within districts to account for vertical equity (treating different types of students in an appropriate manner). This statement means that funding must be “categorical,” so that districts receive extra funds to account for higher costs in the education of Special Education, Career Technical, and poverty stricken students with funds also being available for transportation and potentially Gifted Education. All of the state task force work supports this recommendation with the 1991 Joint Select Committee (p. 10), the 1995 Sanders Report (Executive Summary), the 1997 report by Augenblick (pp. 12-25), the 2000 Joint Committee (pp. 5, 36), and the 2005 Blue Ribbon Task Force (Executive Summary) all calling for extra or weighted funds to account for these issues with the exception that Gifted Education was not emphasized after the first two task force reports. Weighted or categorical funding for these types of needs was still available under the foundation formula and the OEBM.

Within this effort to differentiate funding, special attention must be paid to equalize resources and support those districts most in need with at-risk learners and the issues associated with educating students in poverty. That being said, it is impossible for the state to create a system that completely equalizes upward, meaning supporting poor districts so that they are able to spend what the wealthiest districts spend. On the other hand resources should be available to support at-risk learners in every district, whether the mechanism is Tier II money, Poverty Aid, Parity Aid, Gap Aid, Poverty Based Assistance, Educational Challenge Factor, etc. Also, this money should be created from the state generating the necessary revenue and not taking resources from the wealthier
districts, creating a “Robin Hood” effect. Ohio has been recognized by school funding experts within and outside of the state for its effort at equalizing resources and the effort to help poor districts with capital outlay projects since DeRolph. While all of the available state task force reports support a mechanism to differentiate funding, the 1989 Cupp Panel (pp. 6-7), the 1991 Joint Select Committee (p. 20), and the 2000 Joint Committee (p. 40) put a special priority on the equalization of resources and having a factor that accounts for districts educating students from poverty. The Educational Challenge Factor in the OEBM and both Parity Aid and Gap Aid in the foundation formula were available as a means of equalization in the past two formulas.

**State Funding Sources.**

The recommendations for the state funding formula delineated in the last section obviously come with a cost, which is what this portion of the chapter is dedicated to discussing. Once the state has established the mechanism or rationale for how it funds school districts, the necessary revenue must be made available. This commitment is only possible through some combination of property, income, and sales taxes. Obviously, there is not an unlimited source of revenue for school funding, but there are many sources and tax policies to consider to when examining financial support for schools.

While there are limited sources of funding for schools, the State of Ohio has a constitutional obligation to create a funding system that is both “thorough and efficient” and can only be supported through the use of taxes. In the 2011 biennium budget, it can be argued that the state is not focused on meeting this obligation but instead intent on
continuing the trend of reducing taxes and expenses at any cost. The stated rationale of Governor Kasich is to create jobs and generate a business friendly environment with the hope that the economy will improve and state revenues will increase to support reduced state government expenditures, while containing costs with no tax increases and measures like Senate Bill 5 (Fields, 2011, A6). The resolution of these policies remains to be seen, but it is a fact that some combination of taxes is needed to support school funding with property tax still being considered the most reliable or stable, although sales and income are needed. There is a need for the tax code to be examined and reformed with the goal of modernization in mind. Capitalizing on service industries and the internet are examples of this change. The 2005 Blue Ribbon Blue Ribbon Task Force (Executive Summary) supported this reform of altering the tax code so that Ohio is economically competitive with a stable and growing revenue source available. On a final note, other states, such as Pennsylvania, ensure the tax revenue is available to fund their schools through a county rate set by the auditor or a combination of taxes, which is a philosophy worth exploring.

One specific revenue source for school funding is the money generated from the lottery. While this money was initially slated to supplement school funding, over time and due to budget constraints, it has become a part of the general funds that are funneled to schools. Actually, while the statement that lottery money is used to fund schools is correct, that same amount of money is taken away and channeled to other needs in the state budget. Because of the political difficulty the lottery revenue has caused in local
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levy campaigns and the small amount of actual dollars that flow to the schools per pupil, it would be best if this money were appropriated to other state needs, such as prisons, or allocated to a specific area within school funding, such as property tax breaks the state typically covers. Examining a more defined use for lottery revenue is especially timely because casinos are in the process of being established in Ohio with another possible revenue source for schools becoming available.

The issue of tax breaks for businesses and individuals also needs to be examined because of the impact this practice has on resources that support school districts. One of the primary examples of this type of tax break is the elimination of the Tangible Personal Property Tax in Ohio. While it can certainly be argued that the TPP should no longer exist because it was an unfair tax and only suited for an industrial era, a replacement must be found. The professed replacement is the Commercial Activity Tax (CAT), but this revenue is directed to the state budget without specific allocations to individual school districts, much different from the TPP, which was funneled locally to individual school districts. The impact is that many schools throughout the state will have drastically reduced budgets, which may have a devastating impact on student achievement in “Excellent” and high achieving districts. The current “hold harmless” provisions are being more aggressively reduced in the 2011 biennium budget, HB 153, more in accordance with the original HB 66 language but without replacement (ODE, 2011, p. 10). The effect may be that the burden to fund schools is shifted to the local taxpayers
who can refuse by voting down levies, causing greatly reduced services for students in those localities.

The current trend of continuing to give tax breaks through reduced taxes to businesses, tax abatements, lesser income tax, property tax breaks, estate tax reduction, etc. is viewed by some as a protection of taxpayers but at what cost to school funding and other government services? As stated before, the obvious hope is that the economy of Ohio begins to thrive, which would generate increased revenue streams. This conclusion of expecting higher revenue returns from a stronger economy is speculative at this point. One suggestion is that tax breaks take into account the needs of those receiving them, making policies more progressive. An example is the Homestead Exemption on property tax, which was expanded by Governor Strickland to all senior citizens. While this action was a nice gesture and politically advisable, many senior citizens do not need this type of tax break. An alternative would be to explore a potential Circuit Breaker, which would put in effect an income test so that only those senior citizen taxpayers that are in need would be the recipients of the exemption, thus generating extra revenue from those who can afford to pay.

State Distribution Issues.

A third component that is crucial for any funding formula is that the distribution of resources occurs according to a well organized plan. Essential services needed to educate students should be defined and fully funded. Also, funds can be allocated for specific purposes, and efficient operation by schools should be encouraged, whether
efficiency means collaboration or consolidation. The current state of school funding in Ohio is very uncertain, and a defined and clear model would help greatly. The bottom line is that an adequate educational level needs to be defined, which could include distributing money using a true per pupil amount, and resources need to be invested in education to support student learning.

A significant first step to creating a successful school funding model could be for the state to define and fund essential services and components that are needed to educate students. This definition process may even include prioritizing the most crucial services, instead of detailing every single program. The Ohio EBM was an attempt to connect funding with the services needed and was a philosophical break from “residual budgeting,” which was a positive step. The 2005 Blue Ribbon Task Force supported this type of work and recommended that school funding inputs be based upon strategies, services, and programs that are proven to be successful with students (Executive Summary). Part of this process is defining and targeting assistance to students most in need and impacting point of service, meaning having a high quality teacher in every classroom. As stated previously, the OEBM made this attempt at connection with needs, but the 2011 biennium budget, HB 153, repeals the OEBM and has not yet replaced this model with anything (ODE, 2011, p. 1).

Another aspect that could be positive for any future model is allocating funds for specific purposes within education. One example is the requirement for percentages of funds to be set aside for technology, instructional materials, capital improvements, etc.
The 2000 Joint Committee (p. 29) supported this practice and the state bills that put these requirements in place. The OEBM and the PASS Report gave very detailed explanations of how money was to be allocated, but once again, this funding model no longer exists. One area of future exploration in allocating funds could be to create a funding model based upon a state wide teacher salary schedule that is competitive with other professions and front end loaded to attract young and talented professionals. This type of a system could potentially be the answer to the “thorough and efficient” requirement and be equitable and adequate as well, since all students would be served by a high quality teacher in every classroom.

The concept of school districts being encouraged to operate efficiently with distributed funds is important, although not a panacea to funding woes. Collaboration and consolidation should be explored with collaboration of shared services and purchasing being given a priority. Throughout the state, many Joint Vocational Centers, Education Service Centers, and shared purchasing arrangements already exist and could possibly be expanded to save costs. Consolidation of school districts still remains a difficult and unproven task and many times is viewed as undesirable by localities. This type of action should occur when embraced by local communities or when there are data to show that enough positions could be eliminated and schools closed to save a significant amount of money. Otherwise, the small savings of a central office position or two would not justify action. Either way, the state may need to take leadership and provide guidance in this area for true reform to occur. The 1989 Gillmor Commission
studied this issue and recommended leaving consolidation to local communities to recognize but did push for cooperative purchasing (p. 1), as did the 2005 Blue Ribbon Task Force, which emphasized state leadership in cooperative purchasing of health care (Executive Summary).

Another issue with state distribution is the uncertainty of school funding in Ohio in 2011. In three years time, the state has moved from an established foundation formula to a phased-in OEBM to Governor Kasich’s 2011 biennium budget, which offers no plan but a promise that a school funding model will be provided in the future. A helpful step would be for the state to establish and follow a model that fits prescribed parameters, regardless of the political climate. There is an opportunity to create and simplify because of the current blank slate situation. This model needs to begin with addressing the definition of the “thorough and efficient” clause, which the DeRolph litigation was unable to establish, a move that would create a solid foundation. Also, consistency in the model and the corresponding spending reports (formerly PASS, SF-3, SF-12) are needed in order to alleviate confusion in school districts. This consistency also needs to be mirrored in the state budgeting process. The 2005 Blue Ribbon Task Force addressed this dilemma and recommended that the state address any transitions between models to avoid large reductions in state aid to individual districts (Executive Summary). Based on recent reactions to the proposed 2011 biennium budget from superintendents around the state shared in Ch. 1, it does not appear this advice was heeded.
Along the same lines, a new model must provide a defined adequate educational level that is acceptable for all students, and the state must commit financially to that number. The focus in this endeavor is providing all students with educational necessities, which is difficult to accomplish but crucial and cannot be done by taking the “Robin Hood” approach of equalizing down by taking from wealthy districts. A first step could be to calculate a true per pupil amount spent on students throughout the state and then commitment to full funding of this number. This step would be an investment in education, which is traditionally labor intensive, as typically 85% of school budgets are allocated to personnel. As mentioned before, this investment in personnel can be regulated if a state teacher salary schedule is implemented to ensure all students have access to a high quality educator each year. This task of defining a quality education is difficult, as proven by the 1993 Legislative Office of Education Oversight, which was charged with the explanation of a high quality education and concluded with a few general statements as recommendations (pp. 33-34).

**Local Funding and Control.**

While much of the past three categories focus on state level recommendations, any examination of Ohio school funding must take into account local issues. Traditionally, Ohio has a history of local communities having some control over their local school district. This system includes local levies to raise funds in partnership with state funding support. One of the major difficulties with local funding is the impact of HB 920 of 1976 and the corresponding charge off and reappraisal phantom revenue
situation. The state could lift a huge burden from local school districts by modifying HB 920, allowing some incremental growth on property taxes for schools, and reducing the constant need for levies.

The Ohio State Constitution dictates a “thorough and efficient” education for all students, but the state must balance this mandate with being cognizant of the tradition of local control in individual communities. That being said, it is the state’s responsibility to provide this system, so the state cannot use the concept of local control to rationalize a shift of the burden in funding to localities. The current state budget crunch and reduction in state aid to schools coupled with local politics, constant levy campaigns, and failed levies causing educational cuts in services in local districts threatens to erode the quality of education in this state. As stated before, the state must create and define an adequate education and fund these necessities, but it should also allow some flexibility to local districts to add programs if their residents have the resources and choose to pay higher taxes.

One way in which the state can help provide adequate funding is to provide a fix to the local problem of the zero trigger on growth of property taxes for the purpose of schools, as established by HB 920. While this measure may have been necessary in a time of hyperinflation, it is viewed as a huge impediment to school funding in 2011. It is crucial that the state make an adjustment and fix the charge off and reappraisal phantom revenue associated with HB 920 to allow incremental growth on property taxes, which is the largest source of local revenue for local schools. This zero trigger has transformed
school districts into fundraising organizations and has added politics, strife, and constant levy campaigning to the job responsibilities of school administrators. If this problem is not rectified, the state could potentially establish an adequate number, but the mechanism of HB 920 and phantom revenue will persist, reducing funds in the future.

The recommendation for this situation is to match the required local contribution (currently a 20 mill floor) with the local charge off (23 mills in foundation model, 22 mills in OEBM) and allow growth on these mills but with a cap so that any growth is not excessive, as occurred in the 1970s. This cap could be a set percentage, the CPI, or some other indicator that measures school costs. If additional mills are need for equalization purposes, the charge off and matching local contribution could be raised to 25 mills. This action would eliminate the need for Gap Aid, as established in the foundation model, and would significantly reduce charge off phantom and reappraisal phantom revenue (possibly eliminating it in some years depending on growth of property value). This recommendation is in line with multiple state task reports. The 1991 Joint Select Committee recommended raising the charge off to 25 mills for the purposes of equalization (p. 5), while the 2000 Joint Committee recommended Gap Aid for those school districts at the 20 mill floor but being charged a 23 mill local contribution (p. 34). The 2005 Blue Ribbon Task Force recommended matching the number of growing mills with the charge off to alleviate the need for Gap Aid and phantom revenue (Executive Summary). To date, this recommendation has been ignored as there is a charge off above the 20 mill floor with no growth allowed.
This type of a growth option on property tax is available to local school districts, but state action is needed to create a consistent solution across the state without the inconsistency and many times dramatic action needed for potential conversion levies (as offered in HB 1), local elections for incremental growth, and schools allowing their millage to be rolled back to 20 mills so that some growth is seen. A state action to allow incremental growth would significantly decrease the number of levies in Ohio, along with the corresponding voter fatigue, and make levies mostly necessary for increased programming or special projects, such as capital outlay, instead of a constant reality to simply offer the same general services. State task force work has seen the need for incremental growth and provided local opportunities. The 1989 Cupp Panel created some local options, including income tax, defined incremental growth, and replacement levies (pp. 10-11). The only reasons the 1991 Joint Select Committee rejected the proposal to allow growth on 20 mills was because of a concern for equity and that local options had not had enough time in effect (p. 25). These reasons could be addressed by increasing the charge off to 25 growing mills for the purposes of equalization and making the statement that 20 years later, zero growth is still seen as a recognized problem. The 2000 Joint Committee acknowledged this need and recommended adding almost 3% growth to the base cost aid for school districts in the upcoming fiscal year (p. 35). Returning to the 2005 Blue Ribbon Task Force, this group advised that the state move to a 22 growing mill local contribution with a growth cap to eliminate phantom revenue (Executive Summary).
Legislative Issues.

Establishing a “thorough and efficient” school funding model is a state obligation and a function of the Ohio legislature. While the need to address public school funding has been addressed by Ohio’s judicial branch four times in *DeRolph*, it remains the duty of the executive and legislative branches of state government to enact legislation to rectify the situation. This action will require bipartisan commitment. The repealed Ohio EBM, created in 2009, was the last attempt and was not without flaws. Now, a priority to creating a system and funding it through some combination of taxes must happen, although this type of state ownership should not include pooling all local property tax dollars.

Any student of public school funding quickly realizes that it is extremely political and difficult to separate from partisan action and political maneuvering. On the other hand, it should be a necessity to create an adequate funding model with appropriate funding to serve the needs of students in this state. Many governors and politicians pay lip service by making comments about fixing school funding, but a solution has been elusive. The Ohio EBM was Governor Strickland’s attempt, but a true bipartisan effort is needed with input from school leaders and the business community. There must be a commitment to a solution, which would include creation and funding of a model. This funding would have to include a tax structure that would support the costs and capitalize on the concept that an investment in education drives a productive state economy.
Research such as the U.S. Department of Education’s National Center for Education Statistics 1997 study of the connection of education and the economy supports this concept and stated, “Education remains an important contributor to productivity growth and has a major influence on the standard of living,” as well as “Increases in educational attainment were responsible for an estimated 11 to 20% of growth in worker productivity in the United States in recent decades” (Executive Summary, pp. vii, ix).

The OEBM was a legislative and executive attempt at solving the public school funding dilemma by connecting the needs of students to the funding model. Unfortunately, the money needed to fund this model was not made available. There were many perceived unfunded mandates that were a part of this system, and the lack of funding made it very difficult to evaluate whether the OEBM would have been successful over time in creating adequate funding. Whatever the new model might be, the state should learn from the problems with the OEBM, such as lack of adequate financial support and confusion over spending reports, and generate the necessary revenue to fund the model and provide training on new definitions and operations during the transition. Generating necessary revenue is no small task, as the Ohio Legislature is still using the $5700 per pupil expenditure target, which made expenditures toward education roughly 43% of the 2009 biennium budget, while per pupil average state expenditure in 2009 was $10,283 (Coalition of Equity and Adequacy, 2010). With the number of pre-K to 12 public school students close to 1.9 million (ODE, 2011), an increase of $1000 per pupil in spending would equate to almost 2 billion dollars in the state budget. The PASS reports
from the last fiscal year illustrate the lack of funding for the OEBM and many uncertain definitions. Also, the 1989 Cupp Panel Report made it clear that any new mandates in a formula should be funded (p. 6).

Along the same lines of state ownership, it is imperative that funding for schools be given priority in the state budget. The Ohio Constitution is clear that the state must provide “thorough an efficient” education for students, so the legislative actions in the budget making process should reflect and support this priority, meaning the resources must flow in support of these mandates. The 1989 Cupp Panel (p. 3), the 1991 Joint Select Committee (p. 21), and the 1995 Sanders Report (Executive Summary) all supported the notion that priority be given to school funding and that the state needed to increase its commitment to schools through larger percentages of the state budget, although if extra revenue is not generated this commitment could come at a cost to other program such as state prisons and Medicaid.

When deciding how to generate sufficient revenue for school funding, it is not advisable to recapture or pool local property taxes at the state level. Other options, such as income, sales, business related, and utilities are available for this purpose, but local property tax dollars are seen as the local commitment to local schools. It is probably fair to say that state recapture of local property taxes would not be embraced by local communities, even though there could be benefits. If this type of action were taken, it could create a political environment where it would be even more difficult to pass local school levies because citizens would perceive that their money was being usurped to use
in surrounding communities where there is no attachment. Instead, business, commercial, and utility related taxes that serve large areas could be pooled to support school funding in the state budget. The 1989 Cupp Panel made recommendations along these lines with only future growth in these types of taxes being pooled (p. 8), while the 1991 Joint Select Committee even created guidelines for the pooling of non-residential/property taxes (p. 15). The Tangible Personal Property Tax would have been a perfect opportunity for state recapture, but this tax is longer in existence. The state will have to look at other business taxes, such as the Commercial Activity Tax, which after 2005 has annually taxed business activity on all gross receipts over $150,000, to see what action is feasible.

**Limitations**

The research in this study of school funding in Ohio is limited in a few different ways, the first of which deals with the participants that served as the purposeful sample. In order to create a list of possible participants who would be considered experts on the topic, I made contacts with people at state level organizations (ODE, BASA, OASSA). While these people were considered knowledgeable in their organizations, they were still limited to their own experiences. Fortunately, many of the names of school funding experts provided were common on multiple lists and could be confirmed through literature review, as well as viewing the state level task reports. Also, having the school funding experts recommend others to interview was also helpful. Those experts mentioned by experts multiple times were later interviewed.
Another potential limitation was the relationship between the interviewees and me, as the researcher. Ideally, I would have time to develop a more informal relationship with the participants with multiple visits over time. Rubin and Rubin (2005) recommend that, “In responsive interviewing, the researcher and the interviewee develop a relationship within a conversational partnership that influences the interviewing process” (p. 79). In this research, I met the participants for the first time, had a few minutes to break the ice, and then began the interview process. There was not enough time to develop a trusting relationship. That being said, I give credit to the participants for being remarkably honest and forthright in their comments, some of them even offering to have their actual names be used without the confidentiality of the created pseudonyms. While using the actual names and organizations of the participants would have brought even more credibility to the study, due to the recognition of these funding experts, this action would have violated the terms of the application submitted to the Kent State University Institutional Review Board and the plan detailed in the “Ethics” portion of Ch. 3.

A third issue was the employment of grounded theory methodology in this study. This type of research should be inductive and emergent. The process should involve analysis of data, creation of patterns, and returning to the field to check whether analysis is confirmed (Lincoln & Guba, 1984). Glaser and Strauss (1967) explain, “Theoretical sampling is the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyzes his data and decides what to collect next and where to find them, in order to develop his theory as it emerges” (p. 45). While I did jointly
collect and analyze the data, this process did not completely dictate who I interviewed. I strove to have a balance of perspective between superintendents, treasurers, professors, and organizational leaders and did not return to the field for follow-up questions with each individual. I had interviews transcribed, checked those transcriptions, and began surface level analysis before moving to other interviews. In a few instances, I had multiple interviews on the same day without much time for analysis between time slots. Also, during the reliability and trustworthiness process of the member checks, I sent transcripts and emerging findings documents to the participants to check and give reactions but without a complete response rate. Subsequent interviews would have provided for greater depth and understanding with further commitment by the participants to the process.

On a final note, the scope of this case study research is limited to the State of Ohio. The details and specific mechanisms of the school funding formula are unique to this state, as is probably true of most states. On the other hand, it can be argued that the issues, problems, and potential solutions have overlap to other states in the country. Therefore, the reader will be able to decide upon transfer to other settings, based upon their knowledge of other states’ situations.

**Questions For Future Study**

Other researchers interested in exploring school funding and looking for potential advisement on how to shape future school funding models could expand their parameters in a couple of ways. The first suggestion is to take the recommendations derived from
the qualitative approach and apply quantitative research to these ideas. Researchers from universities or the state government, such as the Office of Budget Management and Division of Taxation, have the tools to explore the numbers associated with the recommendations made. More specifically, the actual base cost to educate students in Ohio needs attention, as do the mechanisms to generate revenue and create cost savings.

The ideas to guide this process are present in this research project, but quantitative analysis would provide further guidance on how to create a “through and efficient” school funding system.

The other avenue of potential exploration is to research the specifics of other states’ funding models. While each state has a unique set of circumstances, there are certainly commonalities that could transfer elsewhere. Therefore, it could be extremely helpful to research other funding models to see what problems have arisen and how those states have attempted to address the problem. This research could include exactly how funds are raised and distributed in an effort to fund adequate and equitable schools for the purpose of creating a high quality education for all children.
Appendix A

Average SAT scores for college-bound seniors, by race/ethnicity: 1996 to 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Mexican American</th>
<th>Puerto Rican</th>
<th>Other Hispanic/Latino</th>
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Verbal

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Mathematics

1 Includes other race/ethnicity categories not separately shown.

NOTE: Test-takers were asked to self-identify a single racial/ethnic group. Scores for both Verbal and Mathematics range from 0 to 800.

### Appendix B

**Average ACT scores by subject and race/ethnicity: 1997 to 2004**

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<th>Year</th>
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<th>White, non-Hispanic</th>
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**Mathematics**

<table>
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<td>19.9</td>
<td>23.6</td>
<td>19.9</td>
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</table>

**NOTE:** Test-takers were asked to self-identify a single racial/ethnic group. Scores for both English and Mathematics range from 0 to 36.

Appendix C

INTERVIEW PROTOCOL

Heading:
Date-
Organization-
Interviewee-
Interviewer- Paul Milcetich

Introduction:
Share with the participant my experiences as an educator, my educational journey, and the topic of my research, which is to seek perceptions of recognized experts on the school funding formula and ideas on possible changes to this funding method.

Ice Breaker:
Please tell me about yourself with regards to the training, background, and experiences you have had during your career?

Guiding Questions:
1. Could you tell me about your experiences and specific involvement dealing with the Ohio school funding formula?

NOTES:
2. What are your thoughts on areas of the formula that work well and areas where the formula does not work well or serve its intended purpose?

NOTES:

3. Please describe why these areas are working or are so challenging for those involved with Ohio school finance.

NOTES:
4. How would you explain your evaluation of Ohio’s school funding formula? Can you elaborate?

NOTES:

5. Do you have any ideas on possible changes to better serve the state and adequately fund all school districts? If this model is adequate, can you explain what aspects make it so? Is it possible to modify to make it any better? What is your reasoning behind these decisions?

NOTES:
6. If you could push for reform with the school funding model to address the court’s decision in DeRolph, which stated the funding model is not “thorough and efficient,” what area(s) would you address? Can you expand on your reasons for this decision?

NOTES:

Possible areas for follow up questions and probes:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Description</th>
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<tbody>
<tr>
<td>HB 920</td>
<td>Objective of state taxes</td>
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<tr>
<td>23 mill charge off</td>
<td>Use of income, sales, and other taxes</td>
</tr>
<tr>
<td>Cost of Doing Business Factor</td>
<td>Lottery revenue</td>
</tr>
<tr>
<td>Tangible Personal Property Tax</td>
<td>Circuit Breaker vs. Homestead Exemption</td>
</tr>
<tr>
<td>Phantom Revenue</td>
<td>Use of negative aid or recapture</td>
</tr>
<tr>
<td>Ohio Evidence Based Model</td>
<td>Consolidation into county units</td>
</tr>
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</table>

Reminder: Ask for opinions/thoughts/experiences/ideas on these issues, but do not emphasize these topics as problems!
### PARTICIPANT LIST

<table>
<thead>
<tr>
<th>Name</th>
<th>Role and Experience</th>
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<tr>
<td>Peter Bates</td>
<td>Male, over 30 years of experience, Building Principal, County Superintendent, Leadership Position with ODE, Organizational Leader, State Task Force Member</td>
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<tr>
<td>Evelyn Crouch</td>
<td>Female, over 30 years of experience, Organizational Leader, Full Professor, Research involving School Funding, Leadership Position for Ohio Governor, State Task Force Organizer</td>
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<tr>
<td>Wade Daniels</td>
<td>Male, over 30 years of experience, Treasurer of Multiple School Districts, School Finance work with ODE, Adjunct Professor of School Finance</td>
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<tr>
<td>Vlad Dragich</td>
<td>Male, over 30 years of experience, Treasurer, Leadership Position with ODE in School Finance, Organizational Leader, State Task Force Member</td>
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<tr>
<td>Matthew Drew</td>
<td>Male, over 30 years of experience, Building Principal, Superintendent, County Superintendent, Adjunct Professor of School Finance, Organizational Leader, State Task Force Member</td>
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<tr>
<td>Frank Hobart</td>
<td>Male, over 20 years of experience, Full Professor, Research involving School Funding, Consultant, Commissioned by State Government for Task Force Work</td>
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<tr>
<td>William Holt</td>
<td>Male, over 30 years of experience, Superintendent of Three Different Districts, Full Professor, Organizational Founder and Leader</td>
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<tr>
<td>Neil Johnson</td>
<td>Male, over 30 years of experience, Building Principal, Title I Coordinator, Assistant Superintendent, ODE Coordinator, Adjunct Professor of School Finance</td>
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<tr>
<td>Ray Juliati</td>
<td>Male, over 30 years of experience, Business Manager, Superintendent, Organizational Founder and Leader</td>
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<td>Gordon Marnes</td>
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<tr>
<td>Paul Tate</td>
<td>Male, over 30 years of experience, Building Principal, Superintendent, Adjunct Professor of School Finance, Organizational Leader</td>
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Appendix E

HIERARCHY OF CATEGORIES (for Member Check)

5 Categories, 20 Subcategories

Category # 1 – STATE FORMULA FEATURES

A. Base Cost
B. “Soften the Blow”
C. Variation in Localities
D. Differentiated Support

Category # 2 - STATE FUNDING SOURCES

A. Limited Sources
B. Shift not Supplement
C. Business Tax Issue
D. Tax Breaks

Category # 3 – STATE DISTRIBUTION ISSUES

A. Fully Fund Priorities
B. Allocating Set-Aside Funds
C. Efficient Operation
D. Uncertainty in Funding
E. Adequate Educational Level

Category # 4 – LOCAL FUNDING AND CONTROL

A. Local Control
B. Lack of Inflationary Growth
C. Gradual Inflation Adjustment
D. Constant Levies

Category # 5 – LEGISLATIVE ISSUES

A. Legislative Process
B. Problems with OEBM
C. State Ownership
### HIERARCHY OF CATEGORIES

5 Categories (Selective Codes), 20 Subcategories (Axial Codes) with Descriptive Codes (Open Codes)

#### Category # 1 – STATE FORMULA FEATURES

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<th>A. Base Cost</th>
<th>B. “Soften the Blow”</th>
<th>C. Variation in Localities</th>
<th>D. Differentiated Support</th>
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<td>CDB factor not crucial</td>
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<tr>
<td>insufficient amount</td>
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<td>culture of community</td>
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<td>methodology flawed</td>
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#### Category # 2 - STATE FUNDING SOURCES

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<td></td>
</tr>
<tr>
<td>combination of three taxes</td>
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<tr>
<td>other states' models</td>
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<tr>
<td>revenue and expenditure issue</td>
<td></td>
</tr>
<tr>
<td>reliance on property tax</td>
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Appendix F
implication of line items
net effect
lottery revenue a “shell game”

C. Business Tax

tangible property to CAT
rationale for tangible property change
CAT not enough

D. Tax Breaks

graduated scale within Homestead Exemption
unfair practice
income tax reduction

Category # 3 – STATE DISTRIBUTION ISSUES

A. Fully Fund Priorities

fund few priorities
impact point of service
define and fund essential services
targeted assistance

B. Allocating Set-Aside Funds

set aside funds
teacher allocation funding model
earmarked dollars

C. Efficient Operation

merit in consolidation
collaboration before consolidation
divide large districts
population factor
reduce waste
little administrative overhead

D. Uncertainty in Funding

change in funding versions
state budget
budget impacts leadership
uncertainty of PASS
collision of different plans
DeRolph left no answer
need to define thorough and efficient

E. Adequate Educational Level

zip code should not determine funding
adequate amount for all
true per pupil amount
state teacher salary schedule
cost of education in teacher salaries
Category # 4 – LOCAL FUNDING AND CONTROL

A. Local Control
   local control to add money
   community message
   over half at 20 mill floor
   voter attitudes
   burden shift to locality
   tradition of local school
   local responsibility

B. Lack of Inflationary Growth
   lack of inflation
   phantom revenue
   rationale for HB 920
   reappraisal and valuation
   millage rolled back
   23 mill charge off
   property values drop

C. Gradual Inflation Adjustment
   incremental increase for inflation
   growth on 20 mill floor
   slight raise in millage
   small amount on inside millage

D. Constant Levies
   no growth so need levies
   need for levies
   decision because no growth
   voter fatigue

Category # 5 – LEGISLATIVE ISSUES

A. Legislative Process
   impact of laws
   political aspect
   education impacts economy

B. Problems with EBM
   problems with EBM and PASS
   no money for EBM
   definition issues

C. State Ownership
   state recapture
   no recapture because accountability
legal responsibility
decision making
state priority
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REFERENCES


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