

A Review of the Effects of the Deduction Method for Funding Vouchers on Local School Districts

A Search for Remedies for High Loss Districts

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Executive Summary – October 16, 2019

The Problem

Starting in 1995, the Ohio legislature has seen fit to use public funds to pay for students to attend private schools. Students may now use vouchers available through four different scholarship programs to fund their private education. The most recent program, EdChoice Expansion, is funded directly by the state as a line item in the state budget. The Jon Peterson, Autism and EdChoice programs however, are funded by the deduction method.

The deduction method counts voucher students as if they are enrolled in the district where they reside. They generate the same amount of state funding for their district of residence as do public school students. The cost of each voucher is transferred from that district's state funds to the private education provider. In most Ohio districts, the amount of state funding per pupil is far less than the cost of a voucher, yet the district is obligated to use state funds generated by the students it educates to subsidize any unfunded voucher costs. This creates an over-reliance on local property tax to fund schools.

The deduction method depletes the funding available to public school students, and disrupts any equalizing effect achieved through the state formula. It is creating financial hardships for public school students in every district where state funding is less than the cost of a voucher.

In FY 2019 the Cleveland Heights – University Heights (CH-UH) School District enrolled 5,111 students of whom 81% are considered to be economically disadvantaged. To provide these students with the quality of education they need and deserve, the Heights schools need every dollar of state funding for which they are entitled. In FY2019 alone, the district transferred 34% of its state funding to fund 1,132 vouchers. While voucher students generated \$3 million in state funding for the district, they used \$7.36 million. To cover the unfunded part of their vouchers, \$4.35 million was transferred from state funding generated by the students who use the public schools. This created a budget shortfall that substantially undermined educational opportunities for public school students in this majority African American, high poverty district.

In order to develop a meaningful remedy for the budget losses in CH-UH caused by the voucher funding method, we asked the Legislative Service Commission (LSC) to provide data on similarly situated districts, those that transferred at least 10% of their state funding to vouchers in FY 2019. The data they provided appears in Tables 1, 2a and 2b, and is the basis for the table we created to demonstrate the cost of a short-term remedy labelled Table 3.

Our analysis established that the CH-UH burden is extreme compared to other districts in Ohio, and that 18 of the 31 districts that transferred 10% or more of their state funding had unfunded costs that

required more than 10% or the aid generated by public school students to meet voucher costs. They all need relief.

Findings

1. It is unusual for a school district to transfer 10% or more of its state funding to fund vouchers. In FY2019, more than 200 districts did not have any students who used vouchers while 31 of Ohio's 612 districts transferred between 10% and 34.6% of their state funding to private schools with one outlier, Beachwood, using 66.4% of its state funding for vouchers. Any remedy should focus on this group of districts where the use of vouchers is costly.
2. Districts that transfer 10% or more of their aid to vouchers are found in 10 Ohio counties, and 15 of the districts are in Cuyahoga County.
3. Youngstown is the only district in this group that received adequate state funding to cover the cost of vouchers used by residents of their school district.
4. Funding shortfalls in 25 districts were caused by limited state funding and a small number of high cost Peterson and Autism vouchers. Of these districts, 18 receive less than \$1,000 per pupil in state funding and the rest received less than \$2,400 per pupil. South Euclid-Lyndhurst is the only high poverty district in this group.
5. The 6 EdChoice districts are all high poverty districts and receive higher state funding than the other 25 districts. Average per pupil state funding ranged between \$1,800 in Euclid and \$3,250 in CH-UH, and at the high end \$6,699 in Jefferson Township and \$9,694 in Youngstown. These districts all had large numbers of EdChoice vouchers. Budget shortfalls were significant in the four districts with less than \$6,000 in per pupil funding.
6. Ohio's voucher funding system hit the CH-UH district the hardest of all. Unfunded voucher costs created a budget deficit of \$4.35 million. The only district that had a larger unfunded cost is Cincinnati that lost \$12 million. When this loss is shared across the public school students in these districts each CH-UH student lost \$851 while each student in Cincinnati lost \$351.

Remedies

State funding is important to school district budgets. Any reduction in state funding is painful and undermines the capacity of state formula funding to equalize funding burdens and ensure adequate resources. The deduction method of funding vouchers is causing significant harm to public school budgets in districts where state funding is inadequate to cover the full cost of vouchers.

Short Term Solutions

The following policy recommendations focus on bringing relief to the 30 school districts where 10% of state funding is transferred to vouchers and the local aid is inadequate to cover voucher costs. This is based on FY 2019 data. They are designed to share the funding burden more equitably and prevent public school budget shortfalls that cannot be easily solved. It would be ideal to augment state funding to these districts in time to be factored into next year's budgets and prevent further cuts in programs.

1. **Make sure the funding burden for districts is shared more evenly. Allocate additional state funding to districts where unfunded voucher costs for FY 2019 are greater than 10% of that district's state funding.** School districts that spend more than 10% of their state funding on unfunded charter costs would receive supplementary state funds to recover any costs in excess of 10%. While the loss of 10% of state funding is still a substantial cost to local budgets, keeping

the burden at 10% recognizes that the state did not plan to fully fund voucher costs and can't on short notice, and gives hard hit districts some relief. It would require \$4.8 million from the state to keep the burden level at 10% for these 31 districts.

- 2. Focus extra resources on the 5 high poverty districts that use more than 10% of their state funding for unfunded voucher costs.** High poverty districts can least afford to lose any of their state funding. The burden level for these districts could be set at 5%. The additional cost would be \$3.07 million.

Long-term Policy Recommendations

In most Ohio districts voucher costs are a drain on public education resources. While we do not support the use of public funds for private or parochial education, here are policy changes that would mitigate the negative impact of vouchers on public education.

- 1. End the deduction method for funding vouchers.** This analysis demonstrates how the deduction method creates more inequality among districts, reduces state funding available to public school students, and punishes districts with concentrated poverty. Direct funding as a line item in the state budget would make the system fair and make the actual cost visible and understood.
- 2. Authorize a full analysis of the impact of vouchers on school districts in Ohio.** The public and lawmakers need to know who is using vouchers, if they are creating choice or funding a choice that is not related to the quality of education in their district, what the financial impact is on all districts, and other ways in which vouchers are affecting communities and their public schools.

Our system of public education is a strength of our democracy and the primary source of education for the children of Ohio. The interests of public school children cannot be sacrificed in order to offer families financial assistance for other options. A balance is needed. In too many Ohio districts that balance is gone. It is important to take action now to reclaim some semblance of fairness even if it does not resolve the bigger issue, the role, if any, of vouchers in our public system.

Table 1:**School Districts with More Than 10% of Foundation Aid Deducted for State Scholarship Programs,
FY 2019**

Data are from the Ohio Department of Education's FY 2019 first reconciliation (Final #1) payment file.		
County	District	Scholarship Deductions as a Percentage of Foundation Aid Allocation FY19
Cuyahoga	Beachwood City SD	66.4%
Cuyahoga	Cleveland Hts-Univ Hts City	34.6%
Cuyahoga	Mayfield City SD	30.3%
Cuyahoga	Orange City SD	28.9%
Cuyahoga	Independence Local SD	26.5%
Hamilton	Indian Hill Ex Vill SD	24.0%
Hamilton	Sycamore Community City SD	19.6%
Franklin	Upper Arlington City SD	18.7%
Cuyahoga	Richmond Heights Local SD	16.7%
Lake	Kirtland Local SD	15.8%
Cuyahoga	Westlake City SD	15.3%
Cuyahoga	Rocky River City SD	14.9%
Delaware	Olentangy Local SD	14.4%
Hamilton	Cincinnati City SD	13.7%
Cuyahoga	Chagrin Falls Ex Vill SD	12.9%
Cuyahoga	Euclid City SD	12.8%
Cuyahoga	Solon City SD	12.7%
Geauga	Kenston Local SD	12.0%
Franklin	New Albany-Plain Local SD	12.0%
Summit	Copley-Fairlawn City SD	11.6%
Montgomery	Jefferson Township Local SD	11.6%
Summit	Revere Local SD	11.5%
Cuyahoga	Brecksville-Broadview Height	11.5%
Lake	Wickliffe City SD	11.0%
Mahoning	Boardman Local SD	11.0%
Cuyahoga	North Royalton City SD	10.9%
Cuyahoga	Cuyahoga Heights Local SD	10.5%
Mahoning	Youngstown City SD	10.4%
Cuyahoga	South Euclid-Lyndhurst City	10.4%
Lorain	Avon Lake City SD	10.1%
Geauga	West Geauga Local SD	10.0%

Table 2a:

Selected School Funding Statistics for School Districts with More Than 10% of State Foundation Aid Deducted for State Scholarship Programs, FY 2019

Data are from the Ohio Department of Education's FY 2019 first reconciliation (Final #1) payment file.

County	District	Formula ADM FY19	Economically Disadvantaged Percentage FY19	Formula ADM Less Community School and Scholarship Students FY19	EdChoice Scholarship FTE FY19	Autism Scholarship FTE FY19	Jon Peterson Special Needs Scholarship FTE FY19	Scholarship Students as Percentage of Formula ADM FY19	State Foundation Aid FY19	State Foundation Aid Per Pupil FY19
Cuyahoga	Beachwood City SD	1,496	9.6%	1,432	-	6	52	3.9%	\$ 1,029,871	\$ 688
Cuyahoga	Brecksville-Broadview Height	3,664	11.2%	3,596	-	11	27	1.0%	\$ 4,721,284	\$ 1,289
Cuyahoga	Chagrin Falls Ex Vill SD	1,754	3.8%	1,724	-	2	16	1.1%	\$ 1,682,358	\$ 959
Cuyahoga	Cleveland Hts-Univ Hts City	6,578	81.1%	5,111	883	35	214	17.2%	\$ 21,307,455	\$ 3,239
Cuyahoga	Cuyahoga Heights Local SD	761	19.9%	752	-	1	3	0.5%	\$ 542,339	\$ 713
Cuyahoga	Euclid City SD	7,526	77.4%	5,036	966	17	38	13.6%	\$ 44,251,240	\$ 5,880
Cuyahoga	Independence Local SD	1,035	8.2%	1,020	-	3	8	1.1%	\$ 612,123	\$ 592
Cuyahoga	Mayfield City SD	3,986	28.3%	3,899	-	20	30	1.3%	\$ 2,663,969	\$ 668
Cuyahoga	North Royalton City SD	3,925	18.5%	3,806	-	13	29	1.1%	\$ 5,798,704	\$ 1,477
Cuyahoga	Orange City SD	2,008	11.1%	1,968	-	9	22	1.5%	\$ 1,575,538	\$ 784
Cuyahoga	Richmond Heights Local SD	953	64.9%	802	26	4	5	3.7%	\$ 1,800,132	\$ 1,889
Cuyahoga	Rocky River City SD	2,645	11.5%	2,610	-	3	12	0.6%	\$ 1,457,363	\$ 551
Cuyahoga	Solon City SD	4,435	10.5%	4,383	-	8	26	0.8%	\$ 3,500,895	\$ 789
Cuyahoga	South Euclid-Lyndhurst City	3,644	55.4%	3,411	-	16	47	1.7%	\$ 8,545,380	\$ 2,345
Cuyahoga	Westlake City SD	3,368	17.0%	3,275	-	4	26	0.9%	\$ 2,508,821	\$ 745
Delaware	Olentangy Local SD	20,489	6.5%	20,274	-	46	60	0.5%	\$ 12,291,332	\$ 600
Franklin	New Albany-Plain Local SD	4,893	6.4%	4,799	-	9	21	0.6%	\$ 3,636,123	\$ 743
Franklin	Upper Arlington City SD	6,001	2.8%	5,902	-	17	23	0.7%	\$ 3,408,123	\$ 568
Geauga	Kenston Local SD	2,596	9.7%	2,538	-	7	28	1.3%	\$ 3,691,408	\$ 1,422
Geauga	West Geauga Local SD	1,781	9.3%	1,734	-	2	29	1.7%	\$ 3,414,081	\$ 1,917
Hamilton	Cincinnati City SD	45,469	73.5%	34,178	4,651	91	336	11.2%	\$ 205,975,703	\$ 4,530
Hamilton	Indian Hill Ex Vill SD	2,043	4.8%	2,017	-	8	11	0.9%	\$ 1,297,519	\$ 635
Hamilton	Sycamore Community City SD	5,280	13.9%	5,210	-	14	33	0.9%	\$ 3,431,164	\$ 650
Lake	Kirtland Local SD	1,190	11.0%	1,165	-	1	16	1.4%	\$ 1,009,456	\$ 848
Lake	Wickliffe City SD	1,355	41.0%	1,313	-	6	11	1.3%	\$ 2,420,201	\$ 1,787
Lorain	Avon Lake City SD	3,661	9.3%	3,613	-	6	15	0.6%	\$ 3,379,146	\$ 923
Mahoning	Boardman Local SD	4,391	41.0%	4,242	-	35	15	1.1%	\$ 9,741,447	\$ 2,218
Mahoning	Youngstown City SD	9,715	80.2%	6,181	1,251	97	122	15.1%	\$ 94,181,823	\$ 9,694
Montgomery	Jefferson Township Local SD	520	72.6%	362	68	1	4	14.1%	\$ 3,480,262	\$ 6,699
Summit	Copley-Fairlawn City SD	2,926	18.9%	2,867	-	6	16	0.8%	\$ 2,376,761	\$ 812
Summit	Reverse Local SD	2,701	7.2%	2,659	-	6	10	0.6%	\$ 2,171,733	\$ 804
Total		162,789	40.5%	141,875	7,846	504	1,307	5.9%	\$ 457,903,753	\$ 2,813

Table 2b:

Selected School Funding Statistics for School Districts with More Than 10% of State Foundation Aid Deducted for State Scholarship Programs, FY 2019

Data are from the Ohio Department of Education

County	District	EdChoice Scholarship Transfers FY19	Autism Scholarship Transfers FY19	Jon Peterson Special Needs Scholarship Transfers FY19	Total Scholarship Transfers	Estimated Foundation Aid Generated by EdChoice Scholarship Students FY19	Estimated Foundation Aid Generated by Autism Scholarship Students FY19	Estimated Foundation Aid Generated by Jon Peterson Special Needs Scholarship Students FY19	Estimated Total Foundation Aid Generated by Scholarship Students FY19	Total Foundation Aid Generated by Scholarship Transfers FY19
Cuyahoga	Beachwood City SD	\$ -	\$ 150,664	\$ 532,874	\$ 683,538	\$ -	\$ 9,608	\$ 30,560	\$ 40,168	\$ (643,371)
Cuyahoga	Brecksville-Broadview Height	\$ -	\$ 273,029	\$ 269,669	\$ 542,699	\$ -	\$ 20,646	\$ 17,287	\$ 37,933	\$ (504,766)
Cuyahoga	Chagrin Falls Ex Vill SD	\$ -	\$ 49,680	\$ 167,982	\$ 217,662	\$ -	\$ 3,166	\$ 9,623	\$ 12,789	\$ (204,873)
Cuyahoga	Cleveland His-Univ His City	\$ 4,184,878	\$ 858,460	\$ 2,319,500	\$ 7,362,838	\$ 1,705,317	\$ 391,256	\$ 912,769	\$ 3,009,342	\$ (4,353,496)
Cuyahoga	Cuyahoga Heights Local SD	\$ -	\$ 24,840	\$ 32,042	\$ 56,882	\$ -	\$ 1,583	\$ 1,780	\$ 3,363	\$ (53,519)
Cuyahoga	Euclid City SD	\$ 4,863,766	\$ 417,365	\$ 376,460	\$ 5,657,590	\$ 3,363,377	\$ 398,459	\$ 289,623	\$ 4,051,458	\$ (1,606,132)
Cuyahoga	Independence Local SD	\$ -	\$ 74,520	\$ 87,458	\$ 161,978	\$ -	\$ 4,749	\$ 5,092	\$ 9,840	\$ (152,137)
Cuyahoga	Mayfield City SD	\$ -	\$ 487,518	\$ 320,404	\$ 807,922	\$ -	\$ 31,340	\$ 18,512	\$ 49,852	\$ (758,069)
Cuyahoga	North Royalton City SD	\$ -	\$ 295,321	\$ 334,374	\$ 629,695	\$ -	\$ 52,423	\$ 53,288	\$ 105,711	\$ (523,984)
Cuyahoga	Orange City SD	\$ -	\$ 225,547	\$ 229,526	\$ 455,073	\$ -	\$ 14,372	\$ 12,914	\$ 27,286	\$ (427,787)
Cuyahoga	Richmond Heights Local SD	\$ 154,650	\$ 106,468	\$ 40,379	\$ 301,497	\$ 26,728	\$ 34,287	\$ 22,477	\$ 83,493	\$ (218,004)
Cuyahoga	Rocky River City SD	\$ -	\$ 73,582	\$ 144,258	\$ 217,840	\$ -	\$ 4,749	\$ 8,247	\$ 12,996	\$ (204,844)
Cuyahoga	Solon City SD	\$ -	\$ 189,609	\$ 254,005	\$ 443,614	\$ -	\$ 14,818	\$ 18,018	\$ 32,836	\$ (410,778)
Cuyahoga	South Euclid-Lyndhurst City	\$ -	\$ 392,778	\$ 493,834	\$ 886,611	\$ -	\$ 132,253	\$ 158,137	\$ 290,390	\$ (596,221)
Cuyahoga	Westlake City SD	\$ -	\$ 99,360	\$ 284,126	\$ 383,486	\$ -	\$ 6,331	\$ 16,951	\$ 23,282	\$ (360,204)
Delaware	Orientangy Local SD	\$ -	\$ 1,150,415	\$ 624,747	\$ 1,775,162	\$ -	\$ 413,210	\$ 129,074	\$ 542,284	\$ (1,232,878)
Franklin	New Albany-Plain Local SD	\$ -	\$ 231,542	\$ 203,501	\$ 435,042	\$ -	\$ 74,388	\$ 37,536	\$ 111,924	\$ (323,118)
Franklin	Upper Arlington City SD	\$ -	\$ 406,206	\$ 230,803	\$ 637,009	\$ -	\$ 26,893	\$ 13,289	\$ 40,181	\$ (596,827)
Geauga	Kenston Local SD	\$ -	\$ 173,052	\$ 271,525	\$ 444,577	\$ -	\$ 11,080	\$ 16,759	\$ 27,839	\$ (416,738)
Geauga	West Geauga Local SD	\$ -	\$ 49,680	\$ 292,550	\$ 342,230	\$ -	\$ 3,166	\$ 16,693	\$ 19,859	\$ (322,371)
Hamilton	Cincinnati City SD	\$ 22,501,126	\$ 2,252,740	\$ 3,479,426	\$ 28,233,292	\$ 13,015,060	\$ 1,373,091	\$ 1,826,880	\$ 16,215,031	\$ (12,018,262)
Hamilton	Indian Hill Ex Vill SD	\$ -	\$ 196,039	\$ 114,850	\$ 310,888	\$ -	\$ 12,489	\$ 6,615	\$ 19,104	\$ (291,784)
Hamilton	Sycamore Community City SD	\$ -	\$ 341,544	\$ 329,697	\$ 671,241	\$ -	\$ 22,429	\$ 18,526	\$ 40,955	\$ (630,286)
Lake	Kirtland Local SD	\$ -	\$ 24,840	\$ 134,859	\$ 159,699	\$ -	\$ 1,583	\$ 7,921	\$ 9,504	\$ (150,195)
Lake	Wickliffe City SD	\$ -	\$ 149,040	\$ 116,712	\$ 265,752	\$ -	\$ 56,914	\$ 37,109	\$ 94,022	\$ (171,729)
Lorain	Avon Lake City SD	\$ -	\$ 149,040	\$ 190,759	\$ 339,799	\$ -	\$ 33,090	\$ 35,877	\$ 68,967	\$ (270,832)
Mahoning	Boardman Local SD	\$ -	\$ 863,687	\$ 205,031	\$ 1,068,725	\$ -	\$ 359,522	\$ 69,565	\$ 429,087	\$ (639,638)
Mahoning	Youngstown City SD	\$ 6,193,577	\$ 2,414,277	\$ 1,207,281	\$ 9,815,135	\$ 6,776,509	\$ 2,773,343	\$ 1,218,714	\$ 10,768,566	\$ 953,431
Montgomery	Jefferson Township Local SD	\$ 330,358	\$ 24,840	\$ 48,137	\$ 403,335	\$ 170,420	\$ 13,179	\$ 22,266	\$ 205,866	\$ (197,469)
Summit	Copley-Fairlawn City SD	\$ -	\$ 132,650	\$ 143,307	\$ 275,957	\$ -	\$ 15,403	\$ 12,916	\$ 28,318	\$ (247,638)
Summit	Revere Local SD	\$ -	\$ 146,308	\$ 103,354	\$ 249,662	\$ -	\$ 9,323	\$ 5,642	\$ 14,965	\$ (234,697)
	Total	\$ 38,228,355	\$ 12,424,639	\$ 13,583,435	\$ 64,236,429	\$ 25,057,411	\$ 6,319,140	\$ 5,050,658	\$ 36,427,210	\$ (27,809,219)

Table 3:**Cost of Reimbursing Unfunded Voucher Costs in Excess of 10% of District Aid**

Source: LSC Reports Tables 2a and 2b

District Name	EdChoice?	% State Aid transferred for vouchers	10% of State Aid	Unfunded Voucher Costs	Funds needed to maintain loss at 10% of state aid	Additional funds needed to maintain loss at 5% for districts with 50% or more poverty
Beachwood	No	66.40%	\$102,987	(\$643,371)	\$540,384	
CH-UH	Yes	34.60%	\$2,130,753	(\$4,353,496)	\$2,222,743	\$1,065,376
Mayfield	No	30.30%	\$266,396	(\$758,069)	\$491,673	
Orange	No	28.90%	\$157,553	(\$427,789)	\$270,234	
Independence	No	26.50%	\$61,212	(\$152,137)	\$90,925	
Indian Hill	No	24.00%	\$129,751	(\$291,784)	\$97,157	
Sycamore	No	19.60%	\$343,116	(\$630,286)	\$287,170	
Upper Arlington	No	18.70%	\$340,812	(\$596,827)	\$256,015	
Richmond Heights	Yes	16.70%	\$180,013	(\$218,004)	\$37,991	\$90,006
Kirtland	No	15.80%	\$100,945	(\$150,195)	\$49,250	
Westlake	No	15.30%	\$250,882	(\$360,204)	\$109,322	
Rocky River	No	14.50%	\$145,736	(\$204,844)	\$59,109	
Olentangy	No	14.40%	\$1,129,150	(\$1,232,878)	\$103,725	
Cincinnati	Yes	13.70%	\$20,597,570	(\$12,018,262)	\$0	\$1,719,477
Chagrin Falls	No	12.90%	\$168,235	(\$204,873)	\$36,638	
Euclid	Yes	12.80%	\$4,425,123	(\$1,606,132)	\$0	
Solon	No	12.70%	\$350,089	(\$410,778)	\$60,689	
Kenston	No	12.00%	\$369,140	(\$416,738)	\$46,598	
New Albany	No	12.00%	\$363,612	(\$323,418)	\$0	
Copley-Fair	No	11.60%	\$237,676	(\$247,639)	\$9,963	
Jefferson Town.	Yes	11.60%	\$348,026	(\$197,469)	\$0	\$23,456
Brecksville-Broad.	No	11.50%	\$472,128	(\$500,300)	\$32,638	
Revere	No	11.50%	\$242,020	(\$237,229)	\$0	
Wickliffe	No	11.00%	\$242,020	(\$237,229)	\$0	
Boardman	No	11.00%	\$974,144	(\$1,066,487)	\$0	
North Royalton	No	10.90%	\$579,870	(\$579,644)	\$0	
Cuyahoga Heights	No	10.40%	\$54,233	(\$54,058)	\$0	
Youngstown	Yes	10.40%	\$9,418,182	**	\$0	\$0
S. Euclid - Lynd.	No	10.10%	\$854,538	(\$596,221)	\$0	\$168,952
Avon Lake	No	10.10%	\$337,914	(\$270,832)	\$0	
West Geauga	No	10.00%	\$341,408	(\$323,371)	\$0	
Total				(\$29,310,564)	\$4,802,224	\$3,067,267

Notes

Supplementary aid needed to keep the district share of unfunded vouchers at 10% is calculated by subtracting the 10% amount from the total unfunded amount. To keep high poverty districts at 5% an additional reduction is made by adding half of the amount that equals 10%.

** Youngstown did not incur a loss