



Members Brief

An informational brief prepared by the LSC staff for members and staff of the Ohio General Assembly

Author: Nick Ciolli, Budget Analyst
Reviewer: Jason Phillips, Division Chief

Volume 134 Issue 9
February 3, 2021

School Choice Program Funding

Ohio supports a number of school choice programs to allow families to have their children educated outside of the student’s resident school district. Options include a community or STEM school, a nonpublic school through a state scholarship program, a different traditional district through open enrollment, and a postsecondary education institution through College Credit Plus. The majority of these programs are funded through transfers of the foundation aid for the student’s resident district to the educating school.

Contents

School choice programs.....	1
Community and STEM schools.....	2
Foundation funding transfers for community and STEM schools	4
Student wellness and success funds	5
Facilities funding.....	5
Performance bonuses	5
Dropout prevention and recovery e-schools	5
Scholarship programs	6
Educational Choice Scholarship Program.....	6
Cleveland Scholarship Program.....	7
Autism Scholarship Program	7
Jon Peterson Special Needs Scholarship Program	7
Open enrollment.....	8
College Credit Plus Program	8

School choice programs

The state foundation aid formula provides the main source of state support for the operating costs of school districts and other public schools. In general, the formula funds students through various per-pupil amounts. All public school students are included in the student count of the school district in which they reside. The resident school district is legally required to provide an education for these students. However, the state also provides funding for some

students who choose to obtain some or all of their education at schools other than those operated by their resident district. Most of this funding is provided by deducting state funding from the resident district and transferring it to the educating school, although some is provided through direct state payments.

For example, the state funds community and STEM schools that are public schools that are not part of a traditional district. In FY 2020, about \$914.0 million was provided to community and STEM schools to educate about 106,000 full-time equivalent (FTE) students. In addition, state scholarship programs such as the Cleveland Scholarship Program, the Autism Scholarship Program, the Jon Peterson Special Needs Scholarship Program, and the Educational Choice (“EdChoice”) Scholarship Program provide vouchers to district residents to attend alternative educational programs, primarily in nonpublic schools. In FY 2020, these programs spent about \$395.4 million to educate about 61,000 FTE students.

Whereas the foregoing school choice programs primarily fund students receiving their education from a school that is not operated by a traditional school district, open enrollment is a school choice program that provides funding for students to attend a school that is operated by a traditional school district other than the district in which the student resides. In FY 2020, this program transferred about \$487.8 million from one traditional district to another traditional district in order to fund the education of about 83,000 FTE students.

Generally, students participating in the previously mentioned programs will receive all of their education in the alternate school. There are two other school choice programs in Ohio that provide funding for students to receive part of their education at a different school. Secondary students may attend a career-technical education program operated by a joint vocational school district (JVSD). JVSDs are directly funded by the state through a formula and also have taxing authority to raise local funding. Funding for JVSDs is not included in this brief, but is described in detail in [Joint Vocational School District Funding Members Brief](#). Another program, College Credit Plus, allows students to attend postsecondary institutions for both high school and college credit. The tuition for most of these students is paid from a deduction from the educating district or school. In FY 2020, \$50.5 million was paid to higher education institutions under this program. This brief describes in more detail how funding for these school choice programs typically works.

Community and STEM schools

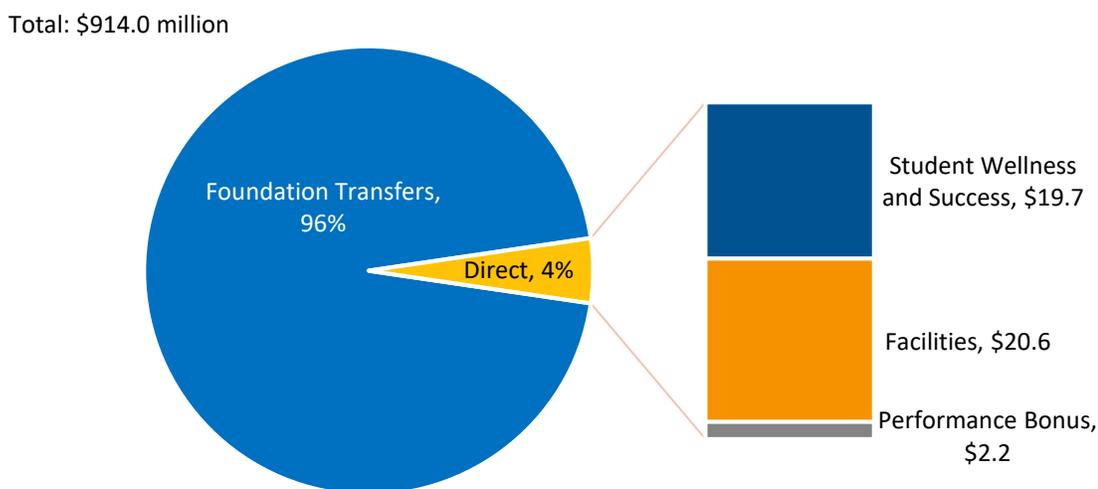
Community schools are public schools that are exempt from certain state requirements. These schools are not part of any school district and do not have taxing authority. Community schools were first established in Ohio in FY 1999. They have grown from 15 community schools educating 2,245 FTE students (0.1% of public school enrollment) in FY 1999 to 321 community and STEM schools educating 106,266 FTE students (6.4% of public school enrollment) in FY 2020. Community schools include e-schools, which provide educational services electronically instead of in a traditional classroom setting, and more traditional brick-and-mortar schools. Science, technology, engineering, and mathematics (STEM) schools were first authorized by law in June 2007. These public schools are similar to community schools in many respects but must operate in collaboration with higher education institutions and business organizations. In addition, H.B. 49 of the 132nd General Assembly authorized science, technology, engineering, arts, and mathematics (STEAM) schools as a type of STEM school. These schools must integrate arts and

design into the study of STEM and operate in collaboration with a partnership that includes an arts organization, among other requirements. Currently, there are seven STEM schools that are governed independently from any school district.¹ The following table shows the number of each type of school as well as the FTE student count for FY 2020.

Community and STEM Schools in FY 2020		
Type of School	Number of Schools	FTE Students
Brick-and-Mortar Community School	300	79,371
E-school	14	23,315
STEM School	7	3,579
Total	321	106,266

State funding for community and STEM schools totaled \$914.0 million in FY 2020. As can be seen in the following chart, 96% of this funding came from transfers of foundation funding from traditional districts. The schools also received some direct payments from the state. These funding components are described below the chart.

Community and STEM School State Funding, FY 2020
(\$ in millions)



¹ STEM schools may also be governed by a traditional or joint vocational school district board of education. In this case, the school is considered one of the schools of the district and the formula for deductions discussed in this section does not apply.

Foundation funding transfers for community and STEM schools

As stated previously, all students are counted in the school district in which they reside for funding purposes, including those who are educated outside of their home district, such as community and STEM school students. Funding for these schools is provided as a per-pupil transfer from each community and STEM school student's district of residence. The state share for community and STEM schools is, in effect, 100% since they do not have taxing authority. The formula for the transfers for community and STEM schools follows the formula for traditional districts with some modifications. Community and STEM school funding is based on a monthly student count during the current fiscal year. The table below summarizes the formula components and per-pupil amounts that follow a community or STEM school student to the educating school.

The total amount of transferred state aid for community and STEM schools is calculated by adding together the different types of aid. State aid for community and STEM schools is not subject to a guarantee or a gain cap, as is the funding for traditional schools. Brick-and-mortar community and STEM schools received \$702.6 million in transfers in FY 2020, including \$675.6 million for brick-and-mortar community schools and \$26.9 million for STEM schools. E-schools received another \$169.0 million. The total amount transferred for community and STEM schools statewide was \$871.6 million.

Community and STEM Schools Foundation Funding Transfers by Component, FY 2020			
Funding Component	Brick-and-Mortar STEM and Community Schools	E-schools	Total Transfers in FY 2020
Opportunity grant	Full formula amount (\$6,020)	Full formula amount (\$6,020)	\$630.3 million
Targeted assistance	Per-pupil amount of student's resident district x 0.25	Do not receive	\$22.0 million
Special education additional aid	Full per-pupil amount	Full per-pupil amount	\$122.8 million
Career-technical education funds	Full per-pupil amount	Full per-pupil amount	\$18.3 million
Limited English proficiency funds	Full per-pupil amount	Do not receive	\$6.9 million
Economically disadvantaged funds	\$272 x student's resident district's economically disadvantaged index	Do not receive	\$59.2 million
K-3 literacy funds	\$320	Do not receive	\$9.7 million

Community and STEM Schools Foundation Funding Transfers by Component, FY 2020			
Funding Component	Brick-and-Mortar STEM and Community Schools	E-schools	Total Transfers in FY 2020
Transportation funding	Varies, see below	Do not receive	\$2.3 million
Total Transfers	\$702.6 million	\$169.0 million	\$871.6 million

Student wellness and success funds

The main operating budget of the 133rd General Assembly, H.B. 166, created a new funding program for school districts, JVSDs, and community and STEM schools called student wellness and success funds. These funds must be used to provide services that address nonacademic barriers to success, such as mental health services, family engagement services, and mentoring. Brick-and-mortar community and STEM schools' funding is based on the per-pupil amount of each student's resident district, with a guarantee of at least \$25,000 in FY 2020 and \$36,000 in FY 2021. E-schools receive a flat amount equal to the guaranteed minimum. In FY 2020, community and STEM schools received \$19.7 million.

Facilities funding

In addition to the funding received through transfers of state aid from a student's school district of residence, each brick-and-mortar community and STEM school receives a per-pupil amount of \$250 to assist with facilities costs. E-schools receive a per-pupil amount of \$25. Facilities funding is paid directly by the state using lottery profits. In FY 2020, school facilities funding for community and STEM schools statewide was \$20.6 million.

Performance bonuses

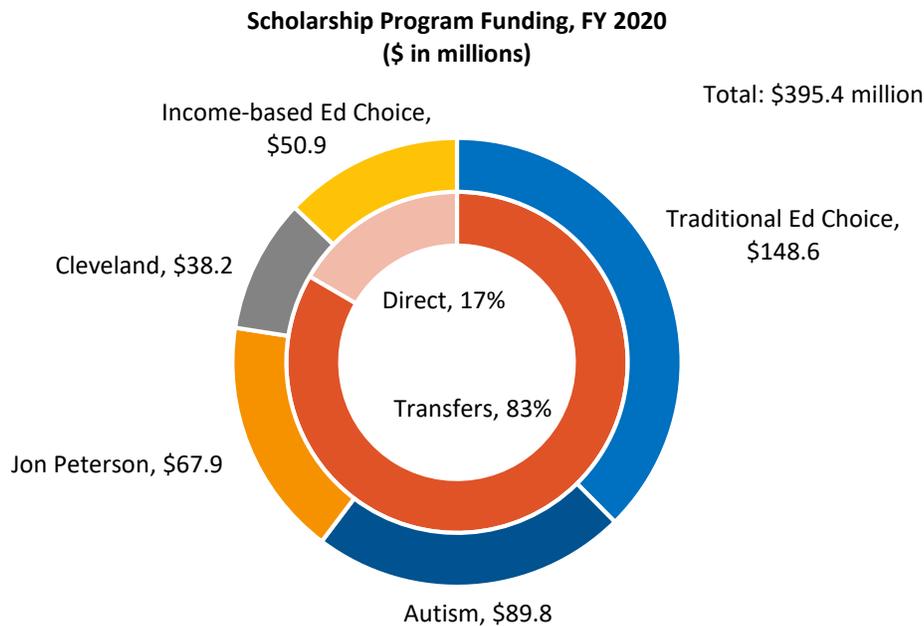
Finally, community and STEM schools receive funding based on third grade reading proficiency rates and four-year graduation rates. The payments are calculated in the same manner as those for traditional school districts except that the state share index is not applied. The total amounts calculated for the graduation and third grade reading bonuses for community and STEM schools statewide were approximately \$1.2 million and \$935,000, respectively, in FY 2020, for a total of \$2.2 million. Both performance bonus payments are funded directly by the state using GRF funds.

Dropout prevention and recovery e-schools

In FY 2021, a pilot program to provide additional funding to certain dropout prevention and recovery ("DOPR") e-schools is in effect. To receive the additional funding, a DOPR e-school must not be operated by a for-profit operator and must have received a rating of "Exceeds standards" for the combined graduation component on its most recent report card. There are six schools that meet the criteria. The program will distribute additional funds to eligible schools through a formula on a per-pupil basis for students enrolled in grades 8-12. The funding is limited to \$2.5 million, earmarked out of GRF line item 200550, Foundation Funding.

Scholarship programs

Scholarship programs provide funding to students to pay tuition to an approved education provider other than the students' resident school districts, typically chartered nonpublic schools. As can be seen in the chart below, 83% of funding for scholarship programs comes from transfers of state funding from the scholarship students' resident districts. The income-based EdChoice scholarship, as well as a portion of the Cleveland scholarship is paid directly from the state.



Educational Choice Scholarship Program

The EdChoice Scholarship Program provides scholarships to students, other than those residing in the Cleveland Municipal School District, who attend or who would otherwise be entitled to attend a school that meets certain criteria. Before FY 2021, students who were entitled to attend a school that met one of a number of conditions indicative of poor academic performance were eligible to receive an EdChoice scholarship. Beginning in FY 2021, students who would otherwise attend a school that was in the bottom 20% of the performance index element of the report card under certain conditions and that has a three-year average Title I formula percentage of 20% or greater can apply for an EdChoice scholarship. Students use the scholarships to attend participating nonpublic schools. The amount awarded under the program is the lesser of the actual tuition charges of the school or the maximum scholarship award. The maximum scholarship award is \$4,650 for students in grades K-8 and \$6,000 for students in grades 9-12. Scholarship students are counted in the resident district's ADM in order to calculate state aid. In FY 2020, a total of \$148.6 million was deducted statewide for about 29,503 FTE scholarship students in 129 school districts.

Since FY 2014, income-based EdChoice scholarships have been phased in for students whose family income is at or below 250% of the federal poverty guidelines (FPG), regardless of the academic rating of the school they would otherwise attend. Unlike the traditional program, students qualifying for EdChoice under the income-based program are not counted in their resident district's ADM for funding purposes and, accordingly, deductions are not taken from school districts to fund the scholarships. Instead, the scholarships are paid directly by the state. In FY 2020, \$50.9 million was spent by the state to fund these scholarships, which covered 13,061 students in grades K-6. Beginning in FY 2021, students in grades K-12 are eligible for income-based EdChoice scholarships.

Cleveland Scholarship Program

The Cleveland Scholarship Program allows students who are residents of the Cleveland Municipal School District to obtain scholarships to attend participating nonpublic schools. The scholarships are the lesser of the tuition charged by the alternative provider or the maximum scholarship award. The maximum scholarship award is \$4,650 for students in grades K-8 and \$6,000 for students in grades 9-12. In general, scholarship students are not counted in Cleveland's ADM for funding purposes. A portion of Cleveland's state aid has been earmarked in the state operating budget to be used to help fund this program. The rest of the funding for the program comes from the state GRF without any deduction from Cleveland. In FY 2020, \$23.5 million was deducted from Cleveland's state aid to fund this program for total program spending of about \$38.2 million. This amount was used to provide 8,263 students with scholarships under the program.

Autism Scholarship Program

The Autism Scholarship Program provides scholarships to autistic students whose parents choose to enroll the student in an approved special education program other than the one offered by the student's school district. The scholarships are the lesser of the total fees charged by the alternative provider or \$27,000. Scholarship students are counted in their resident district's ADMs for purposes of the state funding formula. The amount of the scholarship is then deducted from the resident district's state aid and paid to the alternate provider. In FY 2020, \$89.8 million was transferred for the scholarships for 3,677 FTE students in 442 districts.

Jon Peterson Special Needs Scholarship Program

The Jon Peterson Special Needs Scholarship Program, which began operations in FY 2013, is similar to the Autism Scholarship Program except that it is available to all disabled students with individualized education programs (IEPs) established by their resident school districts. Funding for the program is provided in the same way as that of the Autism Scholarship Program, through a transfer of state aid from the resident district to the alternate provider. Likewise, scholarship students are also counted in their district's ADM for the purposes of the state foundation aid formula. Under current law, the amount of the scholarship cannot exceed \$27,000 and is the lesser of the tuition charged by the alternate provider or the special education funding calculated for the student, which is the formula amount plus the applicable special education amount used to calculate funding for the student under the formula for traditional school

districts. In FY 2020, \$67.9 million was transferred for the scholarships for 6,461 FTE students in 472 districts.

Open enrollment

Each school district in Ohio can choose to accept students from other districts under an open enrollment policy. If a student chooses to attend a district other than the one in which the student resides under open enrollment, the formula amount of \$6,020 and any career-technical education per-pupil amount applicable to the student are deducted from the resident district's state aid and transferred to the educating district. These amounts are calculated in the same way as they are calculated for community schools (see above). If the student receives special education, the costs of this education above the formula amount are billed from the educating district to the resident district.

About 75% of school districts (including JVSs) allow statewide open enrollment, 8% of school districts allow adjacent district open enrollment only, and the remaining 17% of school districts do not accept open enrollment students. In FY 2020, 83,429 FTE students (5.0% of the statewide total) attended schools other than their resident district schools through the open enrollment option. A total of \$487.8 million in school foundation aid was transferred from one traditional district to another under the program.

College Credit Plus Program

The College Credit Plus Program (CCP) allows both public and nonpublic high school students to attend classes at postsecondary education institutions and earn both high school and college credits at state expense. Public high school students are counted in their resident districts' ADMs for funding purposes. If the student participating in CCP attends a public school outside of the resident district, the funding for the student follows the student to where they are educated, as described above. The tuition amounts for the college classes the student attends are deducted from the educating districts' state aid to pay for the program.

In general, the formula for CCP payments calculates per credit hour "default ceiling" and "default floor" amounts in each fiscal year that correspond to certain methods of course delivery and instruction. The calculations of these amounts depend on the per-pupil formula amount. In FY 2020, the payment rates range from about \$42 (default floor) to \$167 (default ceiling) per credit hour. A school district and college may enter into an alternative payment structure, but the negotiated rate cannot be higher than the default ceiling amount per credit hour or the college's standard rate,² whichever is less, or lower than the default floor amount per credit hour unless a lower amount is approved by the Chancellor of Higher Education.

In FY 2020, about \$51.8 million was paid to colleges under the program. For nonpublic high school students, the costs of taking college classes under CCP are paid by an earmark of GRF line item 200511, Auxiliary Services. In FY 2020 and FY 2021, \$2.6 million per year is set aside from the GRF for the payments. Additionally, a portion of the funds in the Auxiliary Services Reimbursement Fund (Fund 5980) may be used to make CCP payments for nonpublic students.

² The "standard rate" means the amount per credit hour assessed by the college for an in-state student who is enrolled in an undergraduate course at that college, but who is not participating in CCP.

Payments for home-instructed students are funded through an earmark of \$2.0 million per year in FY 2020 and FY 2021 from GRF line item 200550, Foundation Funding.