



Fulfilling Ohio's Commitment to Public School Students

In March 1997, the Ohio Supreme Court ruled in *DeRolph v. State* (1997) that Ohio did not, "...provide for a thorough and efficient system of common schools..." as required by the Ohio Constitution. The Court ordered, "...a complete systematic overhaul..." to remedy the state's unconstitutional funding system. The Ohio General Assembly responded with several changes, but the Court ruled in May 2000 that further work was needed, and it gave the General Assembly an additional year to address deficiencies.

The "complete systematic overhaul" ordered in *DeRolph I* and *DeRolph II* was supposed to include but was not limited to: 1) determining a base level of per-pupil funding predicated on the resources required and outcomes expected of a thorough and efficient system; 2) adequate funding for education in every school district; 3) reduction in reliance on property taxes; 4) elimination of forced borrowing to meet ordinary school district expenses; 5) adequate funding for school facilities; 6) elimination of unfunded mandates; 7) elimination of phantom revenue; 8) provisions for a statewide school facilities assessment; and 9) provisions for strict statewide academic standards, including input and output standards.

Two subsequent Ohio Supreme Court decisions upheld the *DeRolph I* and *DeRolph II* decisions and found that the state's school funding system remained unconstitutional. On May 19, 2003, the Court released the case from its jurisdiction, essentially ending further litigation, but it reiterated its earlier findings when it directed the General Assembly, "...to enact a school-financing scheme that is thorough and efficient, as explained in *DeRolph I*, *DeRolph II*, and the accompanying concurrences."

For decades, Ohio lawmakers failed to agree upon and implement a school funding system that met the needs of all of Ohio's students and the requirements of those court decisions. That changed in 2021, when the 134th Ohio General Assembly adopted the Fair School Funding Plan in the biennial budget bill (HB 110). The Fair School Funding Plan provides a predictable student-centered formula that is based upon how much it actually costs to educate a child (known as the input data) and how much a local community can afford to contribute toward these costs.

This groundbreaking plan – created with input from policy makers, finance experts, educators, and community members – was intended to be phased in and fully funded over six years. However, when lawmakers adopted it in HB 110, they only agreed to fund it through the end of the fiscal year (FY) 22-23 biennium (June 30, 2023). Furthermore, the input data used in the FY 22-23 biennium was from FY18 when the most current data would have been from FY 20 (for the FY 22 school year) and FY 21 (for FY

23). In the subsequent budget for FY 24 and FY 25 (HB 33), the 135th Ohio General Assembly updated the base cost inputs to FY 22 (for both FY 24 and FY 25) and continued years three and four of the phase in of the plan.

The fight for full funding continues. To maintain balance between the adequacy side of the funding formula and the state and local share calculation, the input data for the base cost should be updated in conjunction with the property valuation and income data used to determine the state and local share of funding in each school district. However, the property valuation and income data has been updated by the legislature in each of the 4 years of the Fair School Funding plan while the input data has only been updated once.

Policy

It is imperative that Ohio fully implements the Fair School Funding Plan and makes the necessary modifications to update the formula components. The Plan's formula is based on student need and provides enough state resources to reduce the reliance on local property taxes. Further, the funding plan allows school districts to plan appropriately and invest resources where they're needed to help students succeed. Implementation of the Fair School Funding Plan puts Ohio on the path toward a constitutional funding system as ordered by the DeRolph decisions.

Challenge

There are many challenges to achieving full implementation of the Fair School Funding Plan.

During the 135th General Assembly, the legislature passed universal eligibility for school vouchers under the EdChoice program. This provides private school tuition funded by taxpayer dollars. In the current school year, the cost of students attending private school through one of Ohio's five voucher programs is nearly one billion dollars. Most of the new participating students have never attended public school. The expansion of these programs creates greater strain on the state budget and puts full implementation of the Fair School Funding Plan at risk. Nearly 90% of Ohio's students attend public school and the state has a constitutional obligation to fund its public schools adequately and equitably. The rising cost of privatization, and political pressure to further expand voucher programs (to homeschooling and unaccountable non-chartered private schools) present headwinds for full implementation of the Fair School Funding Plan.

In addition, Ohio has seen a steady reduction in the state's income tax rates since 2005. There have also been proposals introduced in previous general assemblies to phase out the state income tax which is a primary source of revenue for the state budget. Additionally, the Ohio General Assembly has steadily flattened the state's income tax brackets. Starting with nine (9) rate brackets, over the last 20 years the Ohio General Assembly has lowered and consolidated brackets down to two (2) beginning in 2024.

Complicating funding for the Fair School Funding Plan is impending local property tax reform anticipated to be taken up by the 136th Ohio General Assembly. While there were many competing reform proposals in the last General Assembly, it is likely that a proposal to raise the 20-mill floor for public school districts could be passed. Such a proposal could exacerbate funding inequities between districts, increased property tax rates for residents, and higher failure rates for more frequent levies to meet the new millage floor.

Ultimately, any structural changes to the state income or local property taxes that do not guarantee local school districts are held harmless or that are in alignment with the Fair School Funding Plan could potentially shift the responsibility of funding public schools to local school districts.

An additional challenge to full implementation come from the categorical cost studies that were commissioned to identify the resources required for students with special needs, English learners, and students in poverty. While we are still awaiting the results of the students in poverty cost study, the other two studies revealed significant funding gaps, highlighting the need for increased investments to meet these students' unique needs. However, full implementation of the plan has been complicated by the substantial financial commitment required to align state funding with these cost studies, on top of fully updating and phasing in the Fair School Funding Plan.

Lastly, the lack of political will to allocate sufficient resources for the Fair School Funding Plan, competing budget priorities such as increasing vouchers or cutting taxes, and the complexity of distributing funds equitably across diverse districts have all hindered progress, leaving many vulnerable students without the support they need to succeed. Legislative leaders have already expressed reservations about the sustainability of the Fair School Funding Plan, describing the expectation of fully implementing the plan as a “fantasy” and the current system of public-school funding as “unsustainable.”

Opportunity

Ohio lawmakers have a tremendous opportunity to build upon the foundation of the Fair School Funding Plan enacted over the last two general assemblies by ensuring it is fully funded and updated into the future. This will finally achieve our state's constitutional promise to give all children, regardless of their race, zip code, or family income, the resources needed to thrive and succeed.

Support Child Well-Being: Budget Recommendations

Ohio must:

- Fulfill the promise of the Fair School Funding Plan by ensuring that the last two years of the six-year phase-in are achieved.
- Update the formula components with current data (i.e., property valuations, resident income, teacher salaries, etc.) simultaneously.
- Begin to implement the recommendations of the comprehensive state studies to improve funding for special education, students in poverty and English learners to ensure all students receive the world-class education they deserve, regardless of background or address.

This issue brief was authored by: Scott DiMauro, President, Ohio Education Association, and Melissa Clark, Government Relations, Ohio Education Association
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