



Members Brief

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

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School Choice Program Funding

The state 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 state scholarship programs, a different traditional district through open enrollment, and a postsecondary education institution through College Credit Plus. Most of these programs are funded directly by the state.

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Overview

A school district is legally required to provide an education to the students that live within the district. However, the state provides funding for students who choose to obtain some or all of their education at schools other than those operated by their resident district. Beginning in FY 2022, most of this funding is provided directly by the state. Previously, most funding for school choice programs was deducted from the resident district’s state foundation aid and transferred to the educating district or school. Community and STEM schools represent the largest school choice program. These schools are public schools but are not part of a traditional school district. In FY 2022, the state provided \$1.0 billion in state foundation aid to community and STEM schools to educate over 115,000 full-time equivalent (FTE) students. In addition, state scholarship programs such as the Educational Choice (“EdChoice”) Scholarship Program, Cleveland Scholarship Program, the Autism Scholarship Program, and the Jon Peterson Special Needs Scholarship Program provide vouchers to district residents to attend alternative educational programs, primarily in chartered nonpublic schools. In FY 2022, the state spent \$554.5 million to provide scholarships for over 75,000 FTE students.

Whereas the foregoing school choice programs primarily fund students receiving their education from a school that is not operated by a traditional district, open enrollment is a school choice program for students to attend a school operated by a traditional school district other

than the district in which the student resides. Open enrollment students are counted in the educating school district for purposes of calculating state foundation aid. In FY 2022, about 81,700 FTE students attended schools other than their resident district schools through open enrollment.

Generally, a student participating in the previously mentioned programs will receive all of their education in the alternative school. There are two other school choice programs that provide funding for students to receive part of their education at a different school. Secondary students may attend a career-technical education (CTE) 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 discussed in this brief, but is described in detail in the [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. Unlike the other school choice programs, the tuition for most of these students is paid from a deduction from the educating district or school. In FY 2022, \$55.0 million was paid to higher education institutions on behalf of public school students under this program. The remainder of 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 331 community and STEM schools educating 115,089 FTE students (7.1% of public school enrollment) in FY 2022. 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 Table 1 below shows the number of each type of school as well as the FTE student count for FY 2022.

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 discussed in this section does not apply.

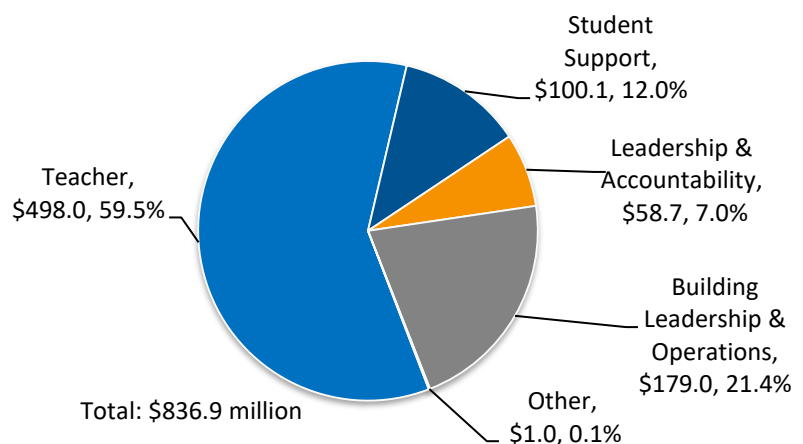
Table 1. Community and STEM Schools in FY 2022		
Type of School	Number of Schools	FTE Students
Brick-and-mortar community school	309	79,333
E-school	15	32,045
STEM school	7	3,711
Total	331	115,089

The state foundation aid formula for community and STEM schools is similar to the formula for traditional school districts. However, since these schools do not have taxing authority, the state provides all of the base cost and other applicable formula components to them. In other words, the state share for community and STEM schools is effectively 100%. State foundation aid for community and STEM schools totals \$1.0 billion in FY 2022. Additional details are provided below.

Base cost

The formula for community and STEM schools calculates the same five base cost components as traditional school districts, which includes the (1) teacher base cost, (2) student support base cost, (3) leadership and accountability base cost, (4) building leadership and operations base cost, and, (5) if a school is eligible, athletic co-curricular activities base cost. The [Base Cost Model](#) *Members Brief* provides details on the calculations for each of these five components. The base cost formula for community and STEM schools differs from that for traditional districts in some respects. The community and STEM schools formula (1) uses current year enrolled average daily membership (ADM) rather than base cost enrolled ADM, (2) eliminates the minimum number of positions computed for special teachers, (3) includes a 20% credit for community school students that participate in career-technical education through the career-technical planning district (CTPD) to which the school is assigned, and (4) computes each school’s student support, leadership and accountability, building leadership and operations, and (if meeting the criteria to qualify) athletic co-curricular activities base cost components as equal to the school’s enrollment multiplied by the per-pupil statewide averages for the respective base cost component for traditional districts. In FY 2022, these per-pupil statewide average costs

Chart 1: Components of the Base Cost for Community and STEM Schools (\$ in millions), FY 2022



were \$870, \$510, \$1,556, and \$163, respectively. The base cost for community and STEM schools totaled \$836.9 million in FY 2022. Chart 1 illustrates the proportion each of the components represent of the total base cost. In the chart, “Other” includes the athletic co-curricular activities base cost (\$0.7 million) and the CTPD student credit (\$0.3 million).

Categorical components

Community and STEM schools are provided additional aid for students receiving special or career-technical education services while brick-and-mortar community schools and STEM schools also receive additional aid for students identified as English learners. The calculations for these components are the same as those for traditional districts except that the state share percentage is not applied. In addition, brick-and-mortar community and STEM schools receive disadvantaged pupil impact aid (DPIA) for each student identified as economically disadvantaged. DPIA is calculated in the same manner as traditional school districts. Unlike traditional districts, community and STEM schools do not receive targeted assistance or gifted student funding. The table below summarizes the categorical component funding that flows to community or STEM schools, which totaled \$312.8 million in FY 2022. For details regarding how these components are calculated, please see the [Categorical Add-On Aid to Ohio Schools Members Brief](#).

Component	E-schools Eligible	Total Aid (in millions)
Special education	Yes	\$140.9
DPIA	No	\$125.9
CTE	Yes	\$38.2
English learners	No	\$7.8

Phase-in

The formula provides a phase-in of a community or STEM school’s funding components that is similar to that of traditional districts, with several exceptions. The formula calculates a school’s phase-in amount by starting with its FY 2020 foundation aid. However, a number of community schools have opened for the first time after FY 2020 and otherwise would have a funding base of \$0. To address this situation, the formula directs the Ohio Department of Education to calculate an applicable school’s funding base as equal to an amount the school would have been paid under the formula in effect in FY 2020 if the school was in operation for that year. All applicable components (including DPIA) are subject to the general phase-in percentages of 16.67% and 33.33% for FY 2022 and 2023, respectively (in FY 2022, a DPIA phase-in percentage of 0% was used for traditional districts and JVSJs).

In general, the school’s FY 2020 amount is added to the product of the phase-in percentage and the difference between the amount calculated under the new formula (i.e., the total of the base cost and categorical components before the phase-in is applied) and the FY 2020

amount. However, the formula prohibits a community or STEM school's phased-in amount from exceeding the total calculated under the new formula (that is, the phased-in amount may only be less than or equal to the total under the new formula). As a result of this provision, the formula funded 70 (21%) schools in FY 2022 according to their full calculated amounts under the new formula that would have otherwise received more under the phase-in mechanism (because their FY 2020 funding is larger than their new calculated amount). In FY 2022, the phase-in reduced foundation aid for the remaining 261 (79%) community and STEM schools by \$238.8 million. A school's core foundation aid is the sum of its funding after the phase-in is applied. In FY 2022, core foundation aid for community and STEM schools totaled \$910.8 million.

Transportation

Generally, a traditional district must provide transportation for students in grades K-8 who live more than two miles from school, whether they attend district schools, community schools, or chartered nonpublic schools. However, a community school may transport its own students and receive a payment for doing so, either through an agreement with the students' resident school district or by unilaterally assuming the district's transportation responsibility. In general, a community school's transportation payment is equal to the statewide cost per rider for traditional districts (\$1,058 for FY 2022). Transportation funding is provided outside of the formula's phase-in mechanism. In FY 2022, a total of \$4.6 million in transportation funding was provided to 24 community schools for over 4,300 riders.

Formula transition supplement

The formula guarantees that a community or STEM school's foundation aid per pupil for FY 2022 and FY 2023 does not fall below its total per-pupil amount of FY 2021 foundation funding before budget reductions, including any transportation payments, and student wellness and success funds. In FY 2022, 148 (45%) community or STEM schools received a total of \$89.0 million from the formula transition supplement.

Final foundation aid

A community or STEM school's final foundation aid is the sum of its core foundation aid, transportation aid, and formula transition supplement. In FY 2022, final foundation aid for community and STEM schools totaled \$1.0 billion, or an average of \$8,728 per pupil. Table 3 below breaks out this funding by school type.

School Type	Foundation Aid (in millions)	Foundation Aid per Pupil
Brick-and-mortar community schools	\$745.1	\$9,392
E-schools	\$229.1	\$7,148
STEM schools	\$30.3	\$8,166
All community and STEM schools	\$1,004.5	\$8,728

Funding outside of foundation aid

In addition to the funding received through the state foundation aid formula, the state provides additional formula-based aid for certain schools and to support the costs associated with facilities. These funds are described in more detail below.

Quality Community Schools Support Program

Community schools that meet certain quality standards with respect to report card grades, sponsor ratings, and other factors qualify for funding under the Quality Community Schools Support Program. This program, funded by lottery profits, provides designated schools with per-pupil funding of \$1,750 for students who are identified as economically disadvantaged and \$1,000 for all other students. In FY 2022, 100 community schools received \$54.0 million under the program. That year, payments to designated schools were prorated to 94.4% of the calculated amount to avoid exceeding the amount appropriated for the program.

Facilities funding

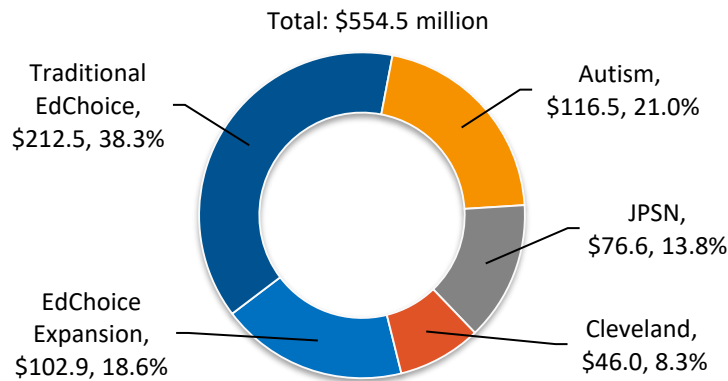
Each brick-and-mortar community and STEM school receives a per-pupil amount of \$500 to assist with facilities costs. E-schools receive a per-pupil amount of \$25. Facilities funding is paid using lottery profits. In FY 2022, facilities funding for community and STEM schools statewide was \$42.0 million. That year, facilities funding to schools was slightly prorated (to 99.2% of the calculated amount) to avoid exceeding the amount appropriated.

Dropout prevention and recovery e-schools

A pilot program to provide additional funding to certain dropout prevention and recovery (“DOPR”) e-schools began in FY 2021 under H.B. 123 of the 133rd General Assembly and was extended for participating schools into FY 2022 and FY 2023 by H.B. 110. 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 met the criteria when the program was established for FY 2021. The program distributes additional funds to eligible schools through a formula on a per-pupil basis for students enrolled in grades 8-12. In FY 2022, the six schools received \$2.1 million through the pilot program, paid from an earmark of GRF line item 200550, Foundation Funding – All Students.

Scholarship programs

Scholarship programs provide funding to a student to pay tuition to an approved education provider other than the student’s resident school district, typically a chartered nonpublic school. Chart 2 below breaks out the payments for each of the state’s five scholarship programs: (1) the traditional EdChoice Scholarship Program, (2) the EdChoice Expansion Scholarship Program, (3) the Cleveland Scholarship Program, (4) the Autism Scholarship Program, and (5) the Jon Peterson Special Needs (JPSN) Scholarship Program. Overall, scholarship payments totaled \$554.5 million in FY 2022. Additional details about each program follow the chart.

Chart 2: Scholarship Payments by Programs (\$ in millions), FY 2022

EdChoice Scholarship Program

Traditional EdChoice

The traditional 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. Currently, a student who would otherwise attend a school that is ranked in the bottom 20% of the performance index element of the report card under certain conditions and whose school district has a three-year average Title I formula percentage of 20% or greater may apply for a traditional EdChoice scholarship. A traditional EdChoice scholarship is also available to a student who received but no longer qualifies for an Autism or JPSN scholarship, has a sibling who receives a traditional EdChoice scholarship, or who is in foster or kinship care or other placement.

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. Currently, the maximum scholarship award is \$5,500 for students in grades K-8 and \$7,500 for students in grades 9-12. These amounts will increase in future years by the same percentage as the foundation aid formula's statewide average base cost per pupil increases in those years. In FY 2022, the state paid a total of \$212.5 million in traditional EdChoice scholarships for over 35,800 FTE students.

EdChoice Expansion

The EdChoice Expansion Scholarship Program provides income-based scholarships. Beginning in FY 2022, a student whose family income is up to 250% of the federal poverty level (FPL), is eligible for a scholarship regardless of whether or not the school they would otherwise attend meets the criteria to be designated under the traditional EdChoice program. Prior to FY 2022, the family income eligibility threshold was 200% of FPL. A student whose sibling receives an income-based scholarship is also eligible. Presumably, this criteria applies to a student whose family income exceeds 250% of FPL but who has a sibling living in a separate household that qualified for a scholarship under the income-based criteria. The maximum income-based

scholarship amounts are the same as those for traditional EdChoice scholarships. In FY 2022, the state spent \$102.9 million to fund income-based scholarships for over 20,200 FTE students.

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, which is the same as under the traditional and income-based EdChoice programs. In FY 2022, Cleveland scholarships totaled \$46.0 million for about 7,700 FTE students.

Autism Scholarship Program

The Autism Scholarship Program provides scholarships to students with autism and an individualized education program (IEP) established by their resident school districts 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 \$31,500 for FY 2022 and \$32,445 for FY 2023. In FY 2022, over 4,100 FTE students received scholarships totaling \$116.5 million.

Jon Peterson Special Needs Scholarship Program

The Jon Peterson Special Needs (JPSN) Scholarship Program is similar to the Autism Scholarship Program except that it is available to all students with disabilities that have an IEP established by their resident school districts. The amount of the scholarship is lesser of the amount charged by the student's provider and the sum of a base amount and an amount for the student's disability category, subject to a cap of \$27,000. The base amounts are \$6,271 and \$6,414 for FY 2022 and FY 2023, respectively. The table below lists the effective maximum amounts for each disability category once the base, disability category, and capped amounts are all taken into account. The base amount for FY 2023 will increase in future fiscal years by the same percentage as the statewide average base cost per pupil increases in those years. Dollar amounts assigned to the child's disability category will also increase by the same percentage that amounts calculated by the General Assembly for those categories of special education services increase for future fiscal years. In FY 2022, 7,300 FTE students received JPSN scholarships totaling \$76.6 million.

Disability Category	FY 2022	FY 2023
Category 1	\$7,731	\$7,976
Category 2	\$10,058	\$10,377
Category 3	\$15,682	\$15,936
Category 4	\$18,861	\$19,121

Disability Category	FY 2022	FY 2023
Category 5	\$23,410	\$23,623
Category 6	\$27,000	\$27,000

Open Enrollment

Each school district in Ohio can choose to accept students from other districts under an open enrollment policy. For funding purposes, the formula counts open enrollment students in the district in which they are educated. Formerly, these students were counted in their resident district. The state then deducted funding for them from their resident district's state foundation aid and transferred it to the educating district. About 77% of school districts (including JVSs) allow statewide open enrollment, 6% of school districts allow adjacent district open enrollment only, and the remaining 17% of school districts do not accept open enrollment students. In FY 2022, about 81,700 FTE students (5.0% of the statewide total) attended schools other than their resident district schools through the open enrollment option.

College Credit Plus Program

The College Credit Plus Program (CCP) allows students enrolled in public, nonpublic high schools, the Ohio State School for the Blind, the Ohio School for the Deaf, other state-run schools, and home school students to attend classes at postsecondary education institutions and earn both high school and college credits at state expense. Under the state foundation aid formula, public school students participating in CCP are counted in the district or school in which they are educated. The tuition amounts for the college classes the student attends are deducted from the educating districts' state foundation aid and paid to the institution attended by the student.

In general, the formula for CCP payments to postsecondary education institutions is based on the number of credit hours in which a student is enrolled and per credit hour "default ceiling" or "default floor" amounts that correspond to certain methods of course delivery and instruction. The payment rates range from roughly \$42 (default floor) to \$167 (default ceiling). A school district and institution 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 2022, about \$55.0 million was paid to colleges under the program on behalf of public school students. For nonpublic students, the costs of taking college classes under CCP are paid by the state directly through an earmark of GRF line item 200511, Auxiliary Services. In FY 2022 and FY 2023, \$2.6 million per year is set aside from this item for the payments. Similarly,

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 school students participating in CCP are paid through an earmark of \$3.0 million in each fiscal year from GRF line item 200550, Foundation Funding – All Students.