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Ohio's Ill-Advised Modifications to the EdChoice Voucher Program

This issue of *On The Money* examines a series of recent modifications to the EdChoice voucher program which are proving to have a dramatic negative impact on school district funding as well as resulting in a large increase in the number of students eligible to receive vouchers.

Background on Ohio's 5 Voucher Programs

Ohio's first voucher program (or "scholarship" program as the state refers to them) was the Cleveland Scholarship program which began in the 1996-97 school year. The Cleveland voucher program involved the utilization of public funds to pay for vouchers for qualified students in the Cleveland Municipal school district to attend participating private schools. Because over 80% of the participating private schools had a religious affiliation the legality of the Cleveland voucher program was challenged in court as a violation of the separation of church and state. After 2 lower court rulings overturning the Cleveland voucher program, in June, 2002 the US Supreme Court upheld the legality of the Cleveland voucher program. Since that time 4 additional voucher (or "scholarship") programs have been created by the Ohio General Assembly:

- The Autism Scholarship program began in the 2004-2005 school year.
- The EdChoice Scholarship program began in the 2006-2007 school year. EdChoice allows students from "underperforming" public schools the opportunity to attend participating private schools. The EdChoice voucher amount is currently \$4,650 for a K-8 student and \$6,000 for a high school student.
- The Jon Peterson Scholarship program began in the 2012-2013 school year. This program is targeted toward students with disabilities.
- The Ed Choice Expansion program began in the 2013-2014 school year. EdChoice Expansion differs from the original Ed Choice Scholarship because eligibility is based on household income (200% of Federal Poverty Level or below) rather than on the academic performance of the student's home school.

The EdChoice voucher program is the largest of the state's 5 voucher programs, both in terms of cost and the number of students participating. Table 1 below provides a summary of the number of students in Ohio's 4 statewide voucher programs from FY16

to FY19. Note that EdChoice Expansion data is limited because it is not reported on the Ohio Department of Education (ODE) School Finance Payment Report (SFPR).

Table 1: Participation in Statewide Voucher Programs FY16-FY19

Voucher Program	FY16	FY17	FY18	FY19	FY20 Estimated
EdChoice	20,074	21,254	22,157	23,057	29,500
Jon Peterson Scholarship	3,770	4,500	5,217	6,011	
Autism Scholarship	2,628	2,775	2,914	3,030	
EdChoice Expansion	4,826	6,671	N.A	N.A	

Source: EdChoice, Jon Peterson and Autism data from ODE Fy20 Nov. #2 SFPR. EdChoice Expansion data for FY16 and FY17 estimated from ODE May 2018 Scholarship Payment file spreadsheet. The maximum # of EdChoice Expansion schoalrships was 8,258 in FY18 and 10,258 in FY19.

The EdChoice voucher program has grown from 3,100 students in FY06 to over 23,000 students in FY19. December 2019 ODE data shows that EdChoice applications increased by over 6,600 students in FY20 compared to FY19 which would bring the total number of EdChoice students to nearly 30,000 this school year.

Voucher Funding in Ohio

The Autism, Jon Peterson and EdChoice voucher programs are all funded through the “deduction” method where voucher students through the FY19 school year were included in the Formula ADM student count of the school district in which they live and the full voucher amount was then deducted from the state aid that the district was slated to receive. This approach is the same as is used to fund charter schools (known as “community schools” in Ohio). The deduction funding method has engendered frequent complaints from local school officials that local funds are effectively used to fund these programs because the state aid received by the district as a result of including a voucher (or community school) student is typically less than the amount that is deducted.

In contrast, the EdChoice Expansion program is funded entirely by the state (i.e. there is no deduction from school district state aid for these students) and the Cleveland voucher program is funded through a combination of direct state funding and deduction from Cleveland’s state aid (roughly 70% of the cost of these students is paid by the state).

The deduction method of funding EdChoice vouchers is particularly important in FY20 and FY21 because HB166 (the FY20-21 biennial budget bill) froze state formula aid at the FY19 amounts. As a result, any increase in the number of voucher students in FY20 or FY21 as compared to FY19 means that the district will simply lose the entire additional voucher deduction amount. Thus, school districts that experience an increase in voucher use by resident students in FY20 are not really guaranteed FY19 funding levels as HB166 intended. *Furthermore, it is critical to note that, contrary to what many uninformed commentators have claimed in the past month, because of circumstances that will be explained below, many of these students have not previously attended public*

schools so any arguments that the districts can save money by virtue of no longer having to educate these students are completely specious.

Recent Modifications to the EdChoice Voucher Program

After years of relative stability in the EdChoice voucher program, FY20 represents the beginning of a dramatic change in the eligibility criteria for the EdChoice program. In FY19 roughly 40 school districts had buildings which were eligible for the EdChoice voucher program. According to data released by ODE, roughly 140 districts (more than triple that of FY19) will have buildings eligible for EdChoice in FY20, and this figure will triple again to roughly 420 districts will have buildings eligible in FY21. At the building level, according to Ohio School Boards Association data there were 120 school buildings that met the “underperforming” criteria in FY19, a figure which will double to nearly 500 buildings in FY20, and then will explode to over 1,200 buildings in FY21. In terms of both school buildings and school districts, ***more than 2/3 of Ohio’s school buildings and school districts will be eligible for EdChoice in FY21*** according to the definition of “underperforming school” as defined in current law.

So what has changed to cause the dramatic increase in EdChoice-eligible school building in this biennium? The answer to this question is that recent changes to the EdChoice program fall into 3 categories:

1. Changes to the criteria used to judge a school building as “underperforming”
2. A change which made more students eligible for an EdChoice voucher
3. Changes to the EdChoice program which have negative financial implications for Ohio’s public school districts

1A. Changes to the “Underperforming School” Criteria

As mentioned above, the underlying principle behind the EdChoice voucher program is that students who attend an “underperforming school” are deemed eligible to receive an EdChoice voucher which can be used to allow them to enroll in a participating private school. From FY13-FY19 a school building would be designated as “underperforming if it met the following criteria:

- Receiving a grade of D or F grade on BOTH the school report card Performance Index component AND the Value-Added report card component.

This criteria is logical in the sense that meeting both of the above criteria indicate that a school is both low-performing AND not showing improvement. Allowing students an avenue to leave such a school is defensible in many ways.

However, this criteria has now changed and a building is now considered “underperforming” and is designated as EdChoice eligible if:

- The building’s Overall Grade on the Report Card is a D or F, OR
- The building receives a Value-Added grade of F, OR
- The building’s performance index ranks it in the bottom 10% of all buildings ranked, OR

- The building’s 4-year Graduation Rate grade is a D or F, OR
- The building receives a K-3 Literacy Grade of D or F, OR
- The building is in a district subject to academic distress commission

Not only are there more criteria that can be used to label a building as “underperforming” but the change from “AND” to “OR” means that a building is now EdChoice eligible if it meets any of the above listed criteria.

Furthermore, several of the new criteria are problematic in a number of ways. First, under the old criteria only buildings with a D or F on the overall report card grade could possibly be considered to be underperforming (and then only if their value-added grade was also a D or F). However, under the new criteria even buildings with an A, B, or C on the Report Card (these grades are all considered to be “passing” at the very least) can be labeled as underperforming.

Indeed, examination of ODE’s list of FY21 EdChoice eligible schools (see <http://education.ohio.gov/getattachment/Topics/Other-Resources/Scholarships/EdChoice-Scholarship-Program/EdChoice-Designated-List-for-Website-01-06-2020-updated.pdf.aspx?lang=en-US>) reveals that nearly 600 of the more than 1,200 eligible schools received grades higher than a D on the most recent school report card.

Secondly, the inclusion of the K-3 Literacy criteria is also problematic because this measure is widely considered to be seriously flawed. Rather than measuring overall K-3 literacy performance (which one might logically expect) this measure instead reflects how successful schools are at moving students from off track to on track. Nearly half of Ohio’s elementary buildings currently are receiving a grade of D or F on this measure, often due to only a very small fraction of students. To use such a measure to allow *any student* in such a building to become eligible for a voucher is very difficult to defend.

1B. How Many Years of Data and the Impact of “Safe Harbor”

Another consideration is how many years of data should be used to assess whether a school is “underperforming”. The current criteria is that the criteria need to be met in 2 of the 3 most recent years. While this would ordinarily not be unreasonable, it is made much more complicated because Ohio correctly enacted a “Safe Harbor” provision for the school years FY15, FY16 and FY17. The reason for this was to allow school districts time to adjust to new state-mandated testing requirements without suffering consequences on the report card and on other accountability measures. The impact of this was that results in these years could not be used to deem the school EdChoice eligible.

However, there are also 2 downsides of the Safe Harbor provision. First, the inability to use data from FY15-FY17 means that in FY20 the FY13, FY14 and FY18 report card results are used and in FY21 the FY14, FY18 and FY19 results are used. The use of data that is 6 years out-of-date is by itself inappropriate. Secondly, the exclusion of the Safe Harbor years also means that any improvement shown by districts as they adjusted to the new assessments is also not considered.

2. Allowing High School Students Who Have Never Attended a Public School to EdChoice Eligible

In addition to changing the criteria to be used to designate a school building as EdChoice eligible, policymakers have also altered which students are eligible to receive an EdChoice voucher. From FY19 and before the EdChoice voucher program has required that in order to qualify for a voucher the student must have attended an EdChoice eligible public school in the preceding year. Until FY20, the only exception to this criteria has been for Kindergarten students for whom Kindergarten is (obviously) their first year in school. (For kindergarten students their assigned elementary school must be deemed EdChoice eligible.).

However, beginning in FY20, high school students who have never attended a public school are now eligible to receive a voucher to attend a private high school so long as their home high school is an EdChoice eligible building. This has resulted in a dramatic increase in the number of EdChoice high school applications from FY19 to FY20. According to ODE data, In FY19 there were 5,396 high school Ed Choice applications and in FY20 this increased by 4,026 to 9,422 – an increase of 75%. In contrast the number of K-8 applications increased by only 14% from 18,112 to 20,696.

Not only has the elimination of the requirement that high school students had to have been in a qualifying public school in the prior year resulted in an increase in EdChoice vouchers, ***it is providing these vouchers to families who already have their children in private schools.*** It is one thing to facilitate school choice for students who do not have the means to move to a better school district or pay for private school themselves, but it is quite another to simply provide a voucher to a student who is already attending a private school. ***This is not expansion of educational choice to those without the means to exercise it themselves it is merely a handout to families who have already shown they can do so themselves.***

3. The Fiscal Impact of the EdChoice Voucher Modifications on Ohio School Districts is Both Real and Unprecedented

While the change in the EdChoice eligibility criteria and the elimination of the public school attendance requirement for high school students have served to drastically expand the number of students now eligible for the EdChoice voucher program, 2 additional changes have combined to assure that cost of the increase in EdChoice will be paid for by local school districts rather than by the state in FY20 and FY21.

An additional change taking effect in FY20 is that state law now makes EdChoice (rather than the state funded EdChoice Expansion eligibility for which is based on household income) the default EdChoice voucher program. This means that students that are newly eligible for EdChoice will be funded through the deduction method discussed above as opposed to being paid for directly by the state. As also discussed above, the fact that the state aid is frozen in FY20 and FY21 means that any increase in EdChoice deduction amounts will simply result in a complete loss of revenue for the district. Ordinarily the new voucher students would be added to formula ADM and the district would receive an increase in state aid, however, that is no longer the case.

Furthermore, considering that most of the increase in EdChoice students is due to high school students – the great majority of whom have likely never attended a public school, it is not even possible to argue that districts now have fewer students to educate and can therefore save money.

The Cleveland Hts-University Hts school (this author's alma mater by the way). Happens to be a perfect example of this phenomenon. The total number of voucher application in Cleveland Hts increased from 890 in FY19 to 1414 in FY20. 65% of these applications were high school students. However, virtually all of these students (both K-8 and high school) attend 2 religiously affiliated schools which serve the Orthodox Jewish population that has long lived in University Hts. Very few – if any – of these students have ever attended one of the public schools in this school district, yet Cleveland Hts just lost \$2.9 million (roughly 25% of its state aid) as a result of the recent changes to EdChoice. And for readers who may doubt this, let me assure that I have both confirmed this with district officials and I have 1st hand knowledge of this – I used to walk by one of these private schools on my way to elementary back in the 1960s. However, now the only thing that is new is the number of private school students is now larger and the state is now paying for their education.

Conclusion – Legislators Still Have a Window to Fix This

To reiterate, the current crisis swirling around EdChoice is very different from voucher discussion that may occurred in the past. Due to ill-considered changes to the criteria for designating schools as “underperforming”, an unprecedented change in the eligibility criteria for private high school students that undermines the only defensible argument of the EdChoice program itself, and an apparent failure to understand the impact of freezing the school funding formula in the current biennium, Ohio policymakers have created a situation where 2/3rds of the state's districts and schools – many of them among the highest rated in the state – stand to be EdChoice eligible in FY21 and the districts themselves- rather than the state – will be left paying for these modifications.

The good news, however, is that state has until roughly the end of January to correct the issues described here and avoid the serious consequences which await in FY21 if these issues are not addressed.

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