

The Impact of Edchoice Vouchers on Education Opportunities in Ohio Public Schools

A Review of Edchoice Voucher Use and Costs in FY 2019 and FY 2020

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The Covid-19 virus has affected public policy in Ohio. In order to prevent rapid spread of the lethal disease, Governor DeWine issued a “stay at home” order in March 2020. On March 23 the General Assembly approved HB 197, a legislative package that addresses pressing issues created by the “stay at home” order. It also defined access to Edchoice vouchers for the 2020-2021 school year.

The legislature took a narrow approach to reducing the expected explosive growth of Edchoice vouchers. Instead of making fundamental changes in the funding method and definition of eligibility debated prior to the pandemic, HB 197 keeps in place the same 517 schools in 140 school districts that were defined as EdChoice in FY 2020. This includes 40 districts that have had at least one designated Edchoice school since FY 2018. The other 100 districts started to fund vouchers in the 2019-20 school year.

The financial implications of this decision for local school districts is unclear because voucher use is unpredictable. What is certain, however, is that local school districts will be responsible for funding the full cost of every voucher that the Ohio Department of Education awards. And since most voucher use is concentrated in less than 40 school districts that have been designated EdChoice for multiple years, children who attend school in those districts are likely to continue to carry a disproportionate burden of the cost of vouchers.

The pandemic has also ignited a financial crisis for most taxpayers. This will jeopardize the already fragile capacity of local communities to fund their public schools, putting districts that pay for vouchers at even greater risk of not having adequate funds for public school students. This makes the decision to allow vouchers to grow in a few districts even more harmful.

The following analysis will evaluate the disparate effect of the Edchoice voucher policy on Ohio communities, something FH 197 will only make worse.

The Problem

School funding in Ohio is a partnership between state government and local communities. An important function of the state’s contribution to school budgets is to make sure all districts have adequate education resources regardless of a community’s ability to fund its schools. Formula funding is designed to level the playing field by contributing more money per pupil to low wealth districts, and less to districts where the same effort generates more funding. EdChoice vouchers undermine both of these public school funding goals. The state is effectively giving funds with one hand to ensure adequate and equal funding, and taking them away from a few districts with the other, undermining both purposes.

Both the system for distributing Edchoice vouchers and the method used to pay for them promote funding inequality among Ohio's 612 school districts, and increase reliance on local property taxes to solve funding shortfalls. Because local districts were expected to pay part of the cost of vouchers through FY 2019, and all of the cost of new vouchers starting in FY 2020, this diminishes education opportunities for public school students in every district where families elect to use Edchoice vouchers.

I have reviewed the districts that are at the epicenter of the Edchoice voucher program, the 40 districts that have been designated as Edchoice for the last three years. While voucher use and costs vary widely within this cohort of districts, they have been affected the longest and the majority of Edchoice vouchers awarded in Ohio have been to this group of districts.

This review indicates two serious problems: The financial burden of Edchoice vouchers is not shared evenly by school districts across the state, punishing some districts and not others. This disparity is made worse by the reality that the majority of students in the districts most affected by vouchers live in poverty and are not white. The neediest students are receiving less than their fair share of public resources.

Sources of Unequal Impact

Not all districts have schools designated as Edchoice. This means some districts lose funds and others don't. Test scores determine if a school is designated Edchoice. Research demonstrates that aggregate family income, neighborhood economics, and many other out of school factors drive test performance, not school quality. As education researcher David Berliner notes, "Research demonstrates that if you know the average income, the average level of parent education, and the percent of single-parent households in a community – just three variables- you can predict with great accuracy the performance on the standardized test scores used by the community to judge its schools." He explains that the higher the poverty rate, the lower the scores and while demographics do not define individual performance, it predicts outcomes for a school. By connecting access to vouchers to aggregate test data for a school building, the legislature elected to take funds from schools with demographics that research indicates will underperform.ⁱ

Ohio's Howard Fleeter reaches the same conclusion: "State test scores continue to rise right along with a school district's affluence, and fall as poverty rates increase.... Ohio may have changed academic standards and its state tests last school year, but the recurring relationship between test scores and poverty remains the same.... Fleeter has reported the relationship between test scores and family income on an annual basis the last several years.... As he does each year, Fleeter compared the percentage of students scoring 'proficient' or better on state tests in each school district to the percentage of students considered 'Economically Disadvantaged'...." ⁱⁱ

Another reason vouchers have a disparate impact on specific school districts is that the use of Edchoice vouchers varies widely among districts that are defined as EdChoice. The number of vouchers used in a school district is a function of demand. The majority of vouchers are not awarded to public school students who are leaving the low rated public school. For example, in the Cleveland Heights-University Heights district, only 90 of more than 1,400 students who received vouchers ever attended the district's schools. Demand depends largely on the presence of private options and how widely they are used. Since there is no limit on the number of vouchers that are awarded in an eligible location, use can vary

widely depending on demand. The Ohio Department of Education rarely rejects a voucher application. According to the ODE's historical information between 92% and 94% of voucher requests are approved.

Ohio is the only state that funds vouchers by the deduction method which assigns funding responsibility to the public school district of residence of the voucher student. Prior to FY 2020, the state contributed to voucher costs by providing per pupil aid for each voucher recipient comparable to public school students in each district. Per pupil aid varies widely among Ohio's districts. While low wealth districts with a state share index of .9 received almost enough state aid to cover the cost of each Edchoice voucher, no district received adequate state aid to fund the full cost. The difference comes out of funds appropriated for public school students in that district. Because state aid is uneven among the EdChoice districts, so is the local contribution and cost. This further increases inequality among Edchoice districts in the funds available for public school students.

The legislature froze state aid to school districts at the FY 2019 level for FY 2020 and FY 2021. No new funds follow new voucher students. Starting in FY 2020, all districts were required to pick up the full cost of new vouchers. Because vouchers reduce local school district resources, when districts attempt to fill the gap created by voucher costs, it will perpetuate the existing property wealth inequality that the funding formula is supposed to reduce and that the *DeRolph* decision made a violation of the Ohio constitution.

Voucher use is unpredictable and varies widely among the 140 school districts where families may request public funds to pay private/religious school tuition. Local funds will cover the full cost of new vouchers in all 140 districts while the other 472 districts don't lose anything.

A Review of 40 Edchoice Districts

When it comes to EdChoice vouchers, there are three kinds of districts in Ohio: 40 districts that have been Edchoice for multiple years and costs have accumulated over multiple years; 100 districts that have been Edchoice for one year; and 472 districts that have never lost funds to Edchoice vouchers.

In FY 2019 there were 255 schools designated as EdChoice in 40 districts. With the end of the "safe harbor" provision that delayed the identification of new school for three years, the number of schools increased to 517 for FY 2020. The new schools are found in the existing districts and 100 additional districts. With the newest freeze that only allows new vouchers in the FY 2020 districts, growth in FY 2021 will be in these 140 districts.

Because of multiple years of funds lost to Edchoice vouchers, the 40 districts with the longest history of Edchoice designation are the most vulnerable to any new voucher costs going forward. Because voucher use is concentrated in these districts, most new vouchers will also be awarded to them. This cohort of districts is the hardest hit by Edchoice vouchers.

I reviewed the demographics, voucher use, and voucher costs for FY 2019 and FY 2020 for the hardest hit districts using data available on the Ohio Department of Education website. I used these sources to document voucher use: FY 2019 Foundation Funding Report, Final #2 Payment Report; 2019 Profile Report; FY 2020 Foundation Funding Report, February 28, 2020 Payment Report; and the 2019 District Profile Report. I also used a table developed by the Legislative Service Commission that shows voucher use by grade level in FY 2019 and FY 2020, and data on historic Edchoice data available in the Edchoice section of the ODE website.

This data provides a fair estimate of what is taking place. I would caution however, that final data for this year is not available so some numbers will change, and I may have made errors in recording data that I was able to find within the multiple reports on the ODE website.

Observations

Voucher Use for the 40 District Cohort as a Cohort

Table 1 provides aggregate data on voucher use statewide and in the 40 districts that were designated as EdChoice in FY 2018, FY 2019, and FY 2020. They constitute 6% of Ohio's district. In FY 2020 they account for 28% of the Edchoice districts.

1. Edchoice vouchers are disproportionately awarded in these 40 school districts. There were 29,627 Edchoice vouchers awarded in Ohio in FY 2020 and 94% of them were in this cohort. There were no vouchers in 82% of Ohio's school districts.
2. New Edchoice vouchers were disproportionately awarded in this cohort in FY 2020. Of 6,571 new vouchers, 4,700 or 71% were awarded in these districts.
3. In FY 2020, the full cost of *each* new voucher was assigned to the school district. New vouchers cost these districts more than \$21 million.
4. Prior to FY 2020, voucher use in the cohort increased by less than 1,000 a year compared to 4,700. While the actual number of new vouchers is hard to predict for FY 2021, these 40 districts can be expected to be the place where increased demand will be concentrated.

Variations in Voucher Use By District For 40 School District Cohort

Table 2 lists the districts that have been designated EdChoice for three or more years. While voucher use is concentrated in these 40 districts, a key feature is that among them, district by district voucher use varies widely. The cost to a local district also varies widely because of differences in demand for vouchers, and in the amount of per pupil state funding each district received in the past to offset voucher costs. Both contribute to inequality. Table 3 tracks the change in voucher use and costs between FY 2019 and FY 2020.

1. Voucher use varies widely among districts. Switzerland of Ohio is an Edchoice district but did not have any vouchers in FY 2020. There were between 2 and 5,800 vouchers awarded in the other 39 districts in the cohort in FY 2020. There were less than 80 vouchers awarded in 14 districts and more than 1,000 awarded in 8 districts. Vouchers awarded in the 22 high use districts, those with more than 100 vouchers, **account for 96% of the vouchers awarded in this cohort and 90% of the vouchers in Ohio.**
2. Demand for vouchers is not proportionate to the enrollment of a school district. When voucher use among these districts is expressed as a percentage of public school enrollment, the average rate of use is about 10%. While Dayton, Euclid, and Cleveland Heights-University Heights do not have the largest number of vouchers the rate indicates use is disproportionate to the enrollment compared to other districts in the cohort. In these high use districts, the rate ranges between 23% and 28% of enrollment. Columbus and Cincinnati have the largest number of vouchers, but that number represents 12% and 16% respectively of the enrollment. Voucher use was modest in 18 districts where the number of vouchers was less than 5% of enrollment.

3. Every dollar lost to a voucher is hard to replace so regardless of the number of vouchers a district must fund, it is costly. The cost to individual districts in FY 2020 ranged between \$9,300 and \$28.6 million. Each of the 22 districts that funded more than 100 vouchers transferred more than \$500,000 to vouchers. Of these districts, 18 had voucher costs greater than \$1 million. Edchoice vouchers cost more than \$27 million in Columbus and \$24 million in Cincinnati. The cost to individual districts can be staggering.
4. Edchoice vouchers are funded by local school districts. One way to compare the impact of vouchers on local budgets is to divide the full voucher cost among all public school students enrolled in each district. CH-UH, Euclid, Jefferson Township, Dayton, and Youngstown were all big losers with the funding lost per pupil ranging between \$1,000 and \$1,300. In some districts it is negligible.
5. The combined cost of renewed vouchers and new vouchers for FY 2020 in this cohort is more than \$139 million. Prior to FY 2020, the state contributed to each voucher the same amount of per pupil aid as it would to a public school student. Except in the lowest wealth districts where state aid was more than \$5,400 per student, the state contribution did not adequately cushion local budgets. Additional information is needed to know exactly how much of the \$139 million bill comes out of local resources. But the state share index for these districts indicates that some of the highest use districts also receive a modest amount of state aid.
6. Between FY 2019 and FY 2020, the number of vouchers in this cohort increased by 4,777 at a cost of \$21.2million. New vouchers were distributed among 35 districts, and 4 districts had fewer vouchers. The largest increase was in Toledo that gained 1,017 new vouchers at a cost of \$4.5 million bringing their total bill to more than \$15 million. There were 8 other districts that had more than 100 new vouchers that increased their voucher costs by between \$.7million and \$3.6million. Once again, the number of new vouchers was not proportionate to enrollment. Relatively small districts like Cleveland Heights-University Heights gained more new vouchers than large districts like Akron and Dayton. The full cost of each new voucher is paid by the district.

Characteristics of the Public School Students Enrolled in the 40 Established EdChoice Districts

Edchoice vouchers are concentrated in this cohort of school districts. The characteristics of these school districts indicate who is most affected by Edchoice policy.

1. Edchoice vouchers have a disproportionate effect on children who live in poverty. The majority of students enrolled in 39 districts in this cohort are low income. The poverty rates for individual districts range between 53% and 94%. Concentrated poverty is a serious problem in at least 26 of these districts where the poverty rate is 80% or more.
2. Edchoice vouchers have a disproportionate effect on nonwhite students. In 29 of the 39 districts that had at least one voucher, 50% or more of the students are minorities. In 19 of them, minorities are 70% or more of the enrollment. Ten of the 39 districts with vouchers are majority white. Students in these 10 districts account for about 17% of the students enrolled in the cohort. The other 83% of students attend school in districts that are mostly nonwhite. Of the 22 districts that transferred more than \$1million to vouchers in FY 2020, 21 are minority districts and have poverty rates between 63% and 99%.
3. The state share index defines the amount of per pupil state aid awarded to a school district based on the property wealth of the district. The larger the index number the lower the local

capacity to fund schools and the greater amount of per pupil state aid. There are 16 districts with a state share index of .8 to .9. State aid in these districts starts at \$4,800. For these districts, state aid effectively cushioned the effect of FY 2019 voucher costs. But starting in FY 2020, no new money followed new vouchers. These districts picked up the whole cost of each voucher. They are the least able to raise property taxes to replace funds lost to vouchers.

4. The state share index for 15 districts was between .19 and .59. Basic per pupil aid is between \$1,200 and \$3,600 per student, well below the cost of an Edchoice voucher. Compared to low wealth districts they assumed a greater share of the cost of each voucher. The state share index was below .59 in 4 of the 6 districts that funded the largest number of vouchers, compounding the impact of that cost. It's been devastating in high use districts.

Conclusion

The Edchoice voucher program is expensive, impacts individual districts unequally, and fuels education funding inequality. In FY 2020, 92% of all Edchoice vouchers and 71% of all new Edchoice vouchers were awarded to students in 40 Ohio districts that educate 16% of Ohio's students. This small share of Ohio's districts and students are impacted the most by Edchoice and deduction funding. They are most likely to be the districts that will incur most of the cost of new vouchers in FY 2021.

The public school students enrolled in these districts bear a disproportionate share of the cost of vouchers. Their educational opportunities are compromised by the transfer of public funds to private schools. Because voucher costs drive funding inequality, the affected students receive less than their fair share of educational resources.

Most of the students enrolled in the hardest hit districts are poor and minority. Students with the greatest needs are the most likely to lose out on public funds because of vouchers.

The state is obligated to provide equal and adequate funding for all of its public school students. Edchoice vouchers do the opposite.

When the legislature creates a policy that increases inequality and puts the burden on the neediest students it is unfair, illogical, and a violation of public trust. It is a retreat from serving the common good and advancing opportunity for all of Ohio's children.

Footnotes

ⁱ David Berliner is cited in Valerie Strauss's column in the *Washington Post*, October 22, 2018, <https://www.washingtonpost.com/education/2018/10/22/education-professor-my-students-asked-who-i-would-vote-heres-what-i-told-them/>. Other education researchers and testing experts who document the effect of out-of-school factors on student achievement and question the validity of assessing school quality based on test scores include Daniel Koretz, in *The Testing Charade: Pretending to Make Schools Better*; and Kevin Welner and Julia Daniel, of the National Education Policy Center, who explain why standardized tests are the wrong way to evaluate school quality <https://www.washingtonpost.com/education/2019/01/07/new-york-city-offers-some-unpleasant-truths-about-school-improvement/>. Howard Fleeter frequently analyses test results in Ohio and the correlation to income.

ⁱⁱ Patrick O'Donnell, "Poor Kids Do Poorly, Affluent Do Better on Ohio's State Tests – Again," *Cleveland Plain Dealer*, December 3, 2015. https://www.cleveland.com/metro/2015/12/poor_kids_do_poorly_affluent_do_better_on_ohios_state_tests_-_again.html

Table 1: Edchoice Voucher Use Ohio Districts FY 2016 to FY 2020

Source: Ohio Department of Education EdChoice Historic Data

Year	# EdChoice Districts	Number of Vouchers	Change	Change in 40 Districts	Voucher Use In 40 Districts	Voucher in 40 Districts % of all
2016		20,178				
2017	40	21,313	1,135			
2018	40	22,176	863	863	22,176	100%
2019	40	23,093	917	917	23,093	100%
2020	140	29,627	6,534	4,777	27,787	94%

Table 2: Edchoice Voucher Use 40 Designated Districts in FY 2019 and FY 2020							
Source: Ohio Department of Education website				foundation settlement reports			
District	% Disadvantaged	% White	Public School ADM 2020	# EdC Vouchers 2020	Vouchers as % of ADM	Voucher Cost 2020	State Share Index
Columbus	89%	22%	46,920	5,800	12%	\$28,610,587	0.59
Cincinnati	73%	23%	34,068	5,284	16%	\$26,573,092	0.479
Toledo	83%	32%	22,170	3,047	14%	\$15,820,126	0.4
Dayton	82%	24%	12,640	2,896	23%	\$14,267,910	0.877
Akron	89%	32%	21,803	1,543	7%	\$7,529,710	0.723
Cleveland Hts- UH	81%	18%	5,061	1,404	28%	\$7,073,931	0.36
Youngstown	80%	14%	6,080	1,282	21%	\$6,506,205	0.9
Euclid	77%	6%	4,834	1,190	25%	\$6,112,859	0.78
Lorain	88%	21%	6,666	804	12%	\$3,932,058	0.869
Canton	93%	40%	8,091	578	7%	\$2,749,418	0.88
Lima	84%	35%	4,045	497	12%	\$2,378,152	0.89
Springfield	88%	53%	7,752	479	6%	\$2,344,352	0.82
Warren	89%	41%	4,787	393	8%	\$1,850,971	0.9
Mt. Healthy	89%	13%	3,328	284	9%	\$1,527,651	0.8
Garfield Hts.	56%	14%	3,652	237	6%	\$1,175,585	0.79
Middletown	89%	55%	6,550	210	3%	\$1,003,919	0.7
Maple Hts.	93%	2%	3,570	208	6%	\$1,143,975	0.83
Groveport Mad	63%	38%	6045	201	3%	\$1,039,688	0.61
E. Cleveland	85%	0.5%	1,509	162	11%	\$808,520	0.83
Mansfield	87%	52%	3,501	152	4%	\$851,089	0.74
Painesville	78%	20%	2,877	134	5%	\$672,180	0.88
Warrrensville Hts	93%	1%	1,635	100	6%	\$523,297	0.48
Jefferson Town.	72%	13%	368	89	24%	\$442,758	0.41
Sandusky	88%	38%	3,401	88	3%	\$402,886	0.60
Richmond Hts	65%	3%	751	82	11%	\$459,145	0.27
Trotwood Mad	94%	6%	2,635	77	3%	\$396,161	0.84
Winton Woods	72%	10%	3,975	75	2%	\$338,506	0.60
Whitehall	93%	24%	3,387	71	2%	\$390,302	0.87
South-Western	60%	58%	22,187	71	0%	\$416,180	0.59
Portsmouth	85%	73%	2,301	70	3%	\$353,669	0.719
Zanesville	90%	69%	3,747	67	2%	\$297,469	0.73
Ashtabula	91%	63%	3,753	61	2%	\$355,110	0.64
Elyria	69%	50%	6,168	46	1%	\$225,348	0.59
Marion	89%	76%	4,808	35	1%	\$159,971.00	0.81
Lockland	89%	34%	577	33	6%	\$153,450	0.668
Liberty Local	59%	47%	1,317	14	1%	\$82,442	0.40
E. Liverpool	89%	84%	2,240	13	1%	\$62,727	0.81
Princeton	66%	21%	5,994	8	0%	\$36,110	0.19
Stryker	38%	85%	423	2	0%	\$9,300	0.54
Switzerland of Ohio	53%	97%	2,145	0	0%	\$0	0.28
Average % /Total	80%	35%	287,761	27,787	10%	\$139,076,809	

Table 3: Voucher Use Change FY 2019 and FY 2020 for 40 Designated Districts

Source: Ohio Department of Education Foundation Settlement Reports, and District Profile

District	# EdC Vouchers FY2019**	Total EdC vouchers	New Vouchers 2020	Voucher Cost FY 2019	Voucher Cost Fy 2020	Cost Change
Toledo	2,035	3,047	1,017	\$11,288,700	\$15,820,126	\$4,531,426
Columbus	5,045	5,800	683	\$24,948,674	\$28,610,587	\$3,661,913
Cleveland Hts- UH	881	1,404	523	\$4,552,800	\$7,073,931	\$2,521,131
Cincinnati	4,596	5,284	688	\$24,905,400	\$26,573,092	\$1,667,692
Mt. Healthy	87	284	197	\$553,500	\$1,527,651	\$974,151
Euclid	965	1,190	225	\$5,171,700	\$6,112,859	\$941,159
Akron	1,363	1,543	280	\$6,642,663	\$7,529,710	\$887,047
Middletown	125	210	85	\$291,641	\$1,003,919	\$748,047
Canton	456	578	122	\$2,106,000	\$2,749,418	\$643,418
Dayton	2,836	2,896	60	\$13,804,197	\$14,267,910	\$463,713
Ashtabula	15	61	46	\$35,295	\$355,110	\$380,885
Lorain	733	804	72	\$3,556,480	\$3,932,058	\$375,578
Maple Hts.	156	208	52	\$665,100	\$1,143,975	\$338,819
Youngstown	1,248	1,282	36	\$6,191,205	\$6,506,205	\$315,000
Springfield	413	479	66	\$2,030,374	\$2,344,352	\$313,978
South-Western	7	71	64	\$154,650	\$416,180	\$304,495
Groveport Mad	63	201	138	\$845,614	\$1,039,688	\$298,361
Jefferson Twmsp.	67	89	22	\$124,687	\$442,758	\$278,199
Zanesville	40	67	27	\$91,200	\$297,469	\$263,910
E. Cleveland	144	162	18	\$673,353	\$808,520	\$177,736
Portsmouth	36	70	34	\$184,692	\$353,669	\$168,977
Elyria	14	46	32	\$74,826	\$225,348	\$150,522
Sandusky	24	88	64	\$272,080	\$402,886	\$124,081
Whitehall	55	71	16	\$271,783	\$390,302	\$118,519
Winton Woods	67	75	8	\$184,125.00	\$338,506	\$113,344
Richmond Hts	26	82	56	\$330,358	\$459,145	\$112,400
Warren	327	393	65	\$1,742,250	\$1,850,971	\$108,721
Lima	473	497	24	\$2,286,237	\$2,378,152	\$91,915
Trotwood Mad	56	77	21	\$338,506	\$396,161	\$60,522
Garfield Hts.	215	237	22	\$1,117,925	\$1,175,585	\$57,660
Mansfield	119	152	33	\$762,865	\$851,089	\$45,655
E. Liverpool	3	13	10	\$18,000	\$62,727	\$44,727
Painesville	139	134	-5	\$633,492	\$672,180	\$38,366
Princeton	3	8	5	\$13,950	\$36,110	\$22,160
Lockland	32	33	1	\$152,103.00	\$153,450	\$1,347
Switzerland of Oh	0	0	0	\$0	\$0	\$0
Stryker	3	2	-1	\$12,400	\$9,300	(\$3,100)
Marion	40	35	-5	\$175,420	\$159,971	(\$15,449)
Warrrensville Hts	110	100	-10	\$553,075	\$523,297	(\$29,778)
Liberty Local	28	14	-14	\$161,767	\$82,442	(\$79,325)
Total	23,045	27,787	4,777	\$117,919,087	\$139,076,809	\$21,217,922