

HB 96 FY26-27 School Funding Formula and Voucher Policy Review

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Part I: Ohio Foundation Funding Formula Overview

What Does the *DeRolph* Decision Say About Adequacy?

The 4 *DeRolph* Rulings laid a clear road map regarding both the Equity and Adequacy of Ohio's school funding formula.

- The March 24, 1997 *DeRolph I* ruling states on pages 14 & 15, “The “formula amount” has no real relation to what it actually costs to educate a pupil. In fact, Dr. Howard B. Fleeter, Assistant Professor at the School of Public Policy and Management at Ohio State University, stated that the foundation dollar amount “is a budgetary residual, which is determined as a result of working backwards through the state aid formula after the legislature determines the total dollars to be allocated to primary and secondary education in each biennial budget. Thus, the foundation level reflects political and budgetary considerations at least as much as it reflects a judgment as to how much money *should* be spent on K-12 education.” (Emphasis *sic*.)”. (Note that the *italics* were added by the court)
- **This means that the state needs to employ an objective methodology to determine the base cost amount rather than the legislature setting that amount.** This principle, which also applies to categorical funding, was reaffirmed in all subsequent *DeRolph* rulings.

What Does *DeRolph* Say About Equity (i.e. what does “Over-Reliance on the Local Property Tax” Really Mean?)

Page 40 of the *DeRolph I* ruling provides some clarity on what the court really meant by over-reliance on the local property tax:

“We also reject the notion that the wide disparities in educational opportunity are caused by the poorer school districts’ failure to pass levies. ***The evidence reveals that the wide disparities are caused by the funding system’s overreliance on the tax base of individual school districts.*** What this means is that the poor districts simply cannot raise as much money even with identical tax effort. For example, total assessed property valuation in the Dawson-Bryant School District in 1991 was \$28,882,580, while Beachwood School District in Cuyahoga County had \$376,229,512. (The two districts have about the same number of pupils.)” (*Italics* added by Howard Fleeter).

This passage indicates that the court felt that the problem with over-reliance on the local property tax was the disparity created between rich and poor school districts. **In this sense, the issue is clearly one of inequity in the distribution of local resources**, not merely “Ohio’s property taxes are too high” or “Ohio has too many school levies”.

And as with the adequacy issue, this interpretation has also been consistently repeated in the subsequent *DeRolph* rulings.

Overview of FY24-FY25 School Funding Formula

- The planned 6-year phase-in of the Fair School Funding Plan (FSFP) was extended to years 3 and 4 at 50% in FY24 and 66.67% in FY25.
- The FY24 Local capacity measure (used in the determination of each district's state/local share of funding) was based on Tax Year 2020, 2021 and 2022 property valuations and Tax Year 2019, 2020, and 2021 income data. The FY25 local capacity calculation updated this data by 1 year, moving to TY21, TY22 and TY23 property values and TY20, TY21, and TY22 income data.
- The underlying teacher salary and other input data used to compute the base cost was from FY18 in both the FY22 and FY23 funding formulas. This was then updated to FY22 data for the FY24 funding formula, but remained at FY22 (instead of being updated to FY23) in the FY25 formula.
- Updating the base cost data in the FY24 formula resulted in a decrease in the state share in most districts, however updating the state/local share property value and income data but not the base cost data in FY23 resulted in an increase in local capacity which in turn lowered the state share of funding in most districts.
- Special Ed and English learner weights remained at their current levels in FY24 and FY25.
- The state (finally) authorized a study examining the cost of educating economically disadvantaged students.

Objectives for Ohio's FY26-27 School Funding Formula

1. The final 2 steps of the phase-in of the FSFP should be completed in the FY26-27 biennium. The phase-in percentages should be 83.33% in FY26 and 100% in FY27.
2. The data used in both the base cost calculation and the local capacity measure should be annually updated and use the most current data available.
3. At minimum, the base cost data (which was base FY22 in both FY24 and FY25) should be updated to FY23. If the base cost data is not updated to FY24 (for FY26) and to FY25 (for FY27) the property valuation and income data used in the state/local share calculation should also not be updated and the state share should be frozen for each district at FY25 levels.
4. The findings from the Special Education and English Learner costs studies completed in December 2022 should be incorporated into the FY26-27 funding formula.
5. Groundwork should be laid for updating the method used to identify economically disadvantaged students and to incorporate the findings from the [still not yet released] DPIA cost study.

Governor's Proposed FY26-27 Funding Formula

- As he did 2 years earlier, the Governor extended the phase-in of the funding formula by 2 years to the FY26-27 biennium. This included increasing the minimum state share of transportation funding to 45.83% in FY26 and to 50% in FY27.
- The property value and income data that is used to calculate the state share of the foundation formula was updated in both FY26 and FY27.
- However, the Governor did not update the base cost inputs so FY26 and FY27 funding would again have been based on FY22 data.
- ***The combination of the updating of the data used in the state/local share calculation and the failure to update the base cost inputs data led to a significant decrease in the state share for over 80% of Ohio's school districts in the next biennium under the Executive Budget.***
- No changes were proposed in the funding formulas for Special Education, English learners and DPIA.
- Perhaps the most dramatic aspect of the Governor's proposed funding formula was the imposition of a 5% reduction in the transitional aid guarantee base amount in FY26 and a 10% reduction in FY27.

Impact of Governor's Proposed FY26-27 Funding Formula: State Share

The statewide average state share of base cost funding has changed as follows from FY22 to FY27:

- FY22: 41.6% (FY18 inputs used in base cost)
- **FY23: 40.6%** (inputs not updated – still FY18)
- FY24: 43.3% (base cost inputs updated from FY18 to FY22 “current year”)
- **FY25: 38.4%** (inputs not updated – still FY22)
- **FY26: 35.0%** (inputs not updated – still FY22)
- **FY27: 32.2%** (inputs not updated – still FY22)

The figures above show that each year that the base cost inputs were not updated the state share fell.

- By comparison, in FY99 (first year of the new formula after *DeRolph*) the statewide average state share of the base cost was 47.0%.
- And in FY19 the statewide average state share of the base cost was 46.3%
- FY25 is the first year since at least FY99 that the state share was below 40%

Overall Impact of Governor's Proposed FY26-27 Funding Formula

The bottom line of the Governor's FY26-27 K-12 proposed K-12 education budget can be summarized as follows:

- **Traditional school districts** biennial foundation funding formula increase vs FY25 funding = **-\$103.4 million** (due to guarantee reduction)
-\$31.6 million reduction in FY26 and -\$71.8 million reduction in FY27
- **Districts add-ons** (special ed. transportation and preschool special ed.) biennial funding increase = **\$104.3 million**
- **JVSDs** biennial foundation funding formula increase vs FY25 funding = **\$116.3 million**
- **Community schools** biennial foundation funding formula increase vs FY25 funding = **\$221.7 million** (no state share)
- **Voucher programs** biennial funding increase vs FY25 funding = **\$265.4 million** (based on expected 8% increase in voucher enrollment)

House Proposed FY26-27 Funding Formula

The House budget created a “*temporary foundation funding*” formula which was based on FY25 funding levels. Its main features were:

- FY26 & FY27 foundation funding computed in a manner similar to that of the Governor (completed phase-in, updated property values & income data, but not updated inputs)
- Elimination of Supplemental Targeted Assistance (36 districts impacted)
- *Temporary Foundation Funding Amount* is computed in the amount of 50% of the additional funding provided in FY26 and FY27 vs FY25 (excluding Supp. Targeted Assistance) and only if FY26 and FY27 funding is an increase.
- *FY25 Guarantee* amount is utilized so that no district receives less foundation funding in FY26 or FY27 than they received in FY25 (incl. Supp. Targeted Assist.)
- *Base Funding Supplement* of \$20 per pupil in FY26 and \$30 per pupil in FY27.
- *Enrollment Growth Supplement* for districts with enrollment growth of more than 3% from FY22 to FY25 (varied from \$50 to \$200 per pupil)
- **Bottom Line = \$280 million increase in formula funding over biennium vs FY25
= \$383 million biennial increase over Governor’s Budget**
- \$100.8 million increase in funding in FY26 vs FY25 and
- \$179.1 million increase in funding in FY27 vs FY25

Senate/Conference Committee FY26-27 Funding Formula

The FY26 and FY27 Senate/Conference Committee foundation funding formula can be thought of as a combination of the Executive and House funding formulas.

- Begins with the *Governor's version of the FY26-FY27 funding formula*
- Maintains the House's *elimination of Supplemental Targeted Assistance*
- Eliminates the Governor's Guarantee reductions and returns to the *FY20 guarantee base specified in the Fair School Funding Plan*.
- Includes a modified version of the House's *Enrollment Growth Supplement* with payments of \$225 per pupil in FY26 for districts with enrollment growth of more than 5% from FY22 to FY25 and \$250 per pupil in FY27 for districts with enrollment growth of at more than 3%.
- Senate version eliminated House's *base funding supplement*, but this was restored in Conference Committee at \$27 per pupil in FY26 and \$40 per pupil in FY27.
- Modifies DPIA funding by facilitating a transition from using the current method of identifying economically disadvantaged students to the direct certification method of identifying low-income students.

Senate/Conference Committee FY26-27 Funding Formula (cont.)

- DPIA funding in FY26 will be based on 75% FY25 economically disadvantaged student count and 25% direct certification count, and in FY27 will be based on 65% FY25 count and 35% direct certification count.
- Senate version of the budget implemented a “*performance supplement*” for districts that meet specified criteria on the school district Report Card Overall Performance rating, Progress component or improvement of the Progress component. Payment of \$26 per pupil * times the number of stars received on Overall Performance or Progress report card rating.
- Conference committee slightly modified the performance criteria, cut the per pupil payment in half to \$13 and moved this component outside the foundation formula (estimated \$53.9 million annually instead of \$107.8 million as in Senate)
- **Bottom Line = \$174 million biennial increase in formula funding vs FY25**
- \$32.5 million increase in funding in FY26 vs FY25 (without performance bonus)
- \$141.5 million increase in funding in FY27 vs FY25 (without performance bonus)
- **\$385 million biennial increase over Governor’s Budget when performance bonuses included**

Comparison of FY26-27 Governor, House & Conf. Comm. School Funding Proposals with FY25

Year	Governor Proposal	House Proposal	Conference Comm. Proposal*
FY25	\$8,117.9 Million	\$8,117.9 Million	\$8,117.9 Million
FY26	\$8,086.3 Million	\$8,218.7 Million	\$8,204.3 Million
Increase FY25 to FY26	-\$31.6 Million	\$100.8 Million	\$86.4 Million
FY27	\$8,046.1 Million	\$8,297.0 Million	\$8,313.3 Million
Increase FY25 to FY27	-\$71.8 Million	\$179.1 Million	\$195.5 Million
Biennial Increase vs FY25	-\$103.4 Million	\$280.0 Million	\$281.9 Million

* All data from LSC. **Figures from Conference Committee school funding proposal include \$53.9 million in Performance Supplement funding in both FY26 and FY27.**

Overall Impact of Conference Committee FY26-27 Funding Formula

The bottom line of the final Conference Committee FY26-27 K-12 K-12 education budget can be summarized as follows:

- **Traditional school districts** biennial foundation funding formula increase vs FY25 funding = **\$281.9 million including performance bonuses and \$174.1 million increase without performance bonuses**
- **Districts add-ons** (special ed. transportation and preschool special ed.) biennial funding increase = **\$104.3 million**
- **JVSDs** biennial foundation funding formula increase vs FY25 funding = **\$111.6 million**
- **Community schools** biennial foundation funding formula increase vs FY25 funding = **\$189.7 million** (no state share)
- **Voucher programs** biennial funding increase vs FY25 funding = **\$327.1 million** (based on expected 8% increase in voucher enrollment)

FY26-27 School Funding Formula Overview

- Governor's budget proposal significantly increased the guarantee which was incorrectly blamed on declining enrollment. This was the reason for the proposed 5% and 10% guarantee reductions.
- The actual cause of the increase in the guarantee was the drastic and historically unprecedented decline in the state share caused by the significant increase in property values coupled with the failure to update the base cost inputs.
- House funding formula held districts harmless at FY25 funding levels but did so through the creation of a "temporary foundation funding" formula.
- Senate/Conf Comm funding formula restored Governor's formula without the guarantee cuts, fully phasing in the FSFP but also not updating the base cost inputs.
- Several legislative proposals in both the the House and the Senate would have updated the base cost inputs, however, these were not included in the House or Senate budgets.
- Special Ed and English Learner weights were not updated in any of the budget proposals.
- DPIA formula is now in transition to direct certification method of identifying students. Statewide average % of disadvantaged students has increased from 46.7% in FY22 to 61.9% in FY25, largely due to increased utilization of CEP.
- Economically disadvantaged student cost study has still been released by DEW.

Part II: Ohio School Voucher Update

Ohio Voucher Program History

Ohio currently has 5 voucher programs:

1. The **Cleveland** voucher program began in FY97. The number of Cleveland voucher students has increased from 1,994 in FY97 to **8,363** in FY25.
 2. The **Autism** voucher program began in FY05. The number of Autism voucher students has increased from 300 in FY05 to **6,091** in FY25.
 3. The **EdChoice** performance-based voucher program began in FY07. The number of EdChoice voucher students has increased from 3,071 in FY14 to **42,643** in FY25.
 4. The **Jon Peterson Special Needs** voucher program began in FY13. The number of Jon Peterson voucher students has increased from 2,601 in FY14 to **8,767** in FY25.
 5. The **EdChoice Expansion** income-based voucher program began in FY14. The number of EdChoice Expansion voucher students has increased from 1,057 in FY14 to **100,995** in FY25.
- **Total number of voucher students in Ohio in FY25 was 116,739**
 - Total number of private school students in Ohio in FY25 was 181,244
 - **Thus in FY25 92% of Ohio private school students received a voucher**

FY22-23 EdChoice Voucher Changes

- The K-8th grade EdChoice voucher amount increased from \$4,650 per pupil to \$5,500 per pupil effective in FY22.
- The 9-12th grade EdChoice voucher amount increased from \$6,000 per pupil to \$7,500 per pupil effective in FY22.
- In addition, the EdChoice voucher amounts moving forward will increase at the same percentage that the statewide average base cost amount increases.
- The cap on EdChoice vouchers (previously set at 60,000) was eliminated.
- Siblings of students who are currently receiving an EdChoice voucher are now eligible to receive a voucher regardless of whether or not the school building whose attendance area they are in is on the EdChoice eligibility list based upon its academic performance.
- The EdChoice building performance eligibility standard was changed to now make all buildings eligible that rank in the lowest 20% of district buildings (not including community school buildings) on the ODE Performance Index report card measure.
- The EdChoice application window was changed from the previous 75-day period beginning on February 1st to a rolling window with no closing date also beginning on February 1st of each year.

FY22-23 EdChoice Voucher Changes

- The cost of the EdChoice voucher program increased from \$164 million in FY21 to \$213 million in FY22. However, because of the implementation of the new school funding formula this cost is now paid entirely by the state.
- The requirement that students must have attended a public school in the year prior in order to be eligible to receive an EdChoice voucher is being phased out. This criteria had already been removed for students in grades 9-12 in FY20 and was extended over a 4-year period to apply to K-8th grade students as well. ***By the FY26 school year no student would be required to have attended a public school in the year prior in order to be eligible to receive an EdChoice voucher.***
- While many might focus on the increases in the EdChoice per pupil voucher amounts, or on the substantial increase in the program's cost, in my opinion, the most significant change to the EdChoice program has been the elimination of the requirement for voucher recipients to have previously attended a public school.
- ***The elimination of the public school attendance requirement significantly alters the focus of the EdChoice program from one of providing additional educational options to students attending low performing schools to one where the state is increasingly paying for a private school education for students whose families have already demonstrated that they can already afford to do so themselves.***
- The percentage of new EdChoice K-12 students that did not attend a public school the year prior increased from 7.0% in FY19 to 54.7% in FY22.

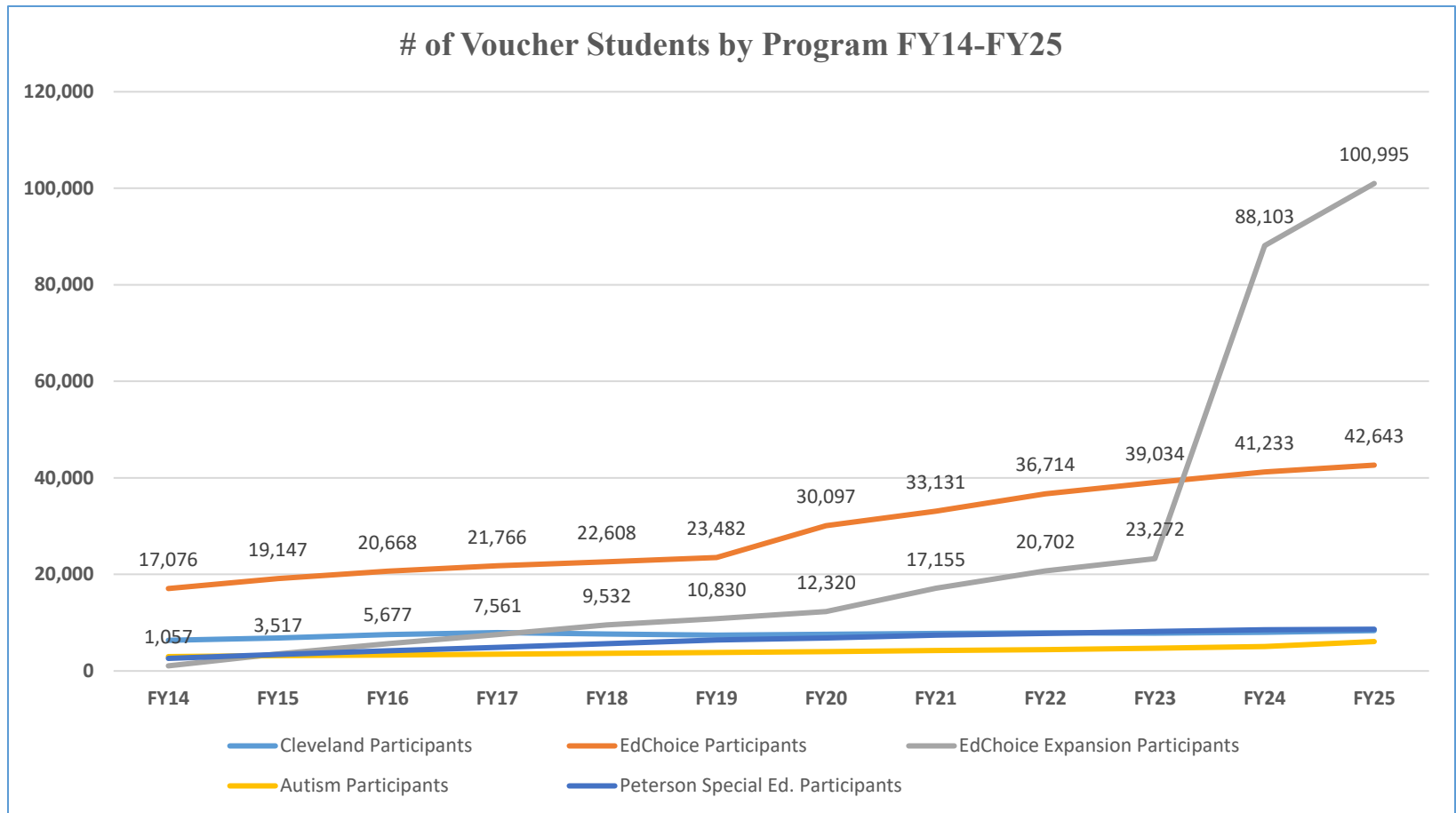
FY24-25 EdChoice Voucher Changes

- Because of the change made in the FY22-23 biennium that links the EdChoice voucher amount to the state average base cost amount, the K-8th grade EdChoice voucher amount increased by 12.1% from \$5,500 per pupil to \$6,165 per pupil effective in both FY24 and FY25.
- Similarly, the 9-12th grade EdChoice voucher amount increased by 12.1% from \$7,500 per pupil to \$8,407 per pupil effective in both FY24 and FY25.
- ***Thus from FY21 to FY24 the K-8 voucher amount increased from \$4,650 to \$6,165n(32.6%) and the Grade 9-12 voucher amount increased from \$6,000 to \$8,407 (40.1%).*** These increases apply to both EdChoice and EdChoice Expansion vouchers.
- After the Governor's budget proposal increased the income level for EdChoice Expansion from 250% of the Federal Poverty Level (FPL) to 400%, and the House increased it further to 450%, **the Senate removed the EdChoice Expansion income limit entirely.**
- The Senate's version was included in the final FY24-25 budget which means that **essentially all students in Ohio are now eligible for an EdChoice Expansion voucher.**
- The maximum allowable voucher amount for students in households above 450% of the FPL is phased down, however.

FY26-27 Voucher Changes

- With the EdChoice voucher program substantially modified in the FY22-23 budget and the EdChoice Expansion voucher program completely overhauled in the FY24-25 budget, most of the major changes to Ohio's voucher programs have now been made.
- The FY26-27 budget did increase the maximum Autism voucher amount from \$32,455 to \$34,000 in both FY26 and FY27.
- The Peterson Special Needs voucher amounts were also increased by amounts ranging from \$460 to \$1463 depending on the disability category type.
- The combined estimated cost of these changes is \$10 million in FY26 and \$12 million in FY27.
- The FY26-27 budget also established an Educational Savings Account (ESA) provision for students attending a Non-Chartered private school. This provision was vetoed by Governor DeWine, however.
- Finally, while not part of the budget, on June 24th the EdChoice program was ruled to be unconstitutional in Franklin County Common Pleas Court. On July 21st the state announced its intent to appeal the ruling.

Ohio Voucher Program Participation by Program, FY14-FY25



Source: Data from ODE Reports Portal Scholarships webpage

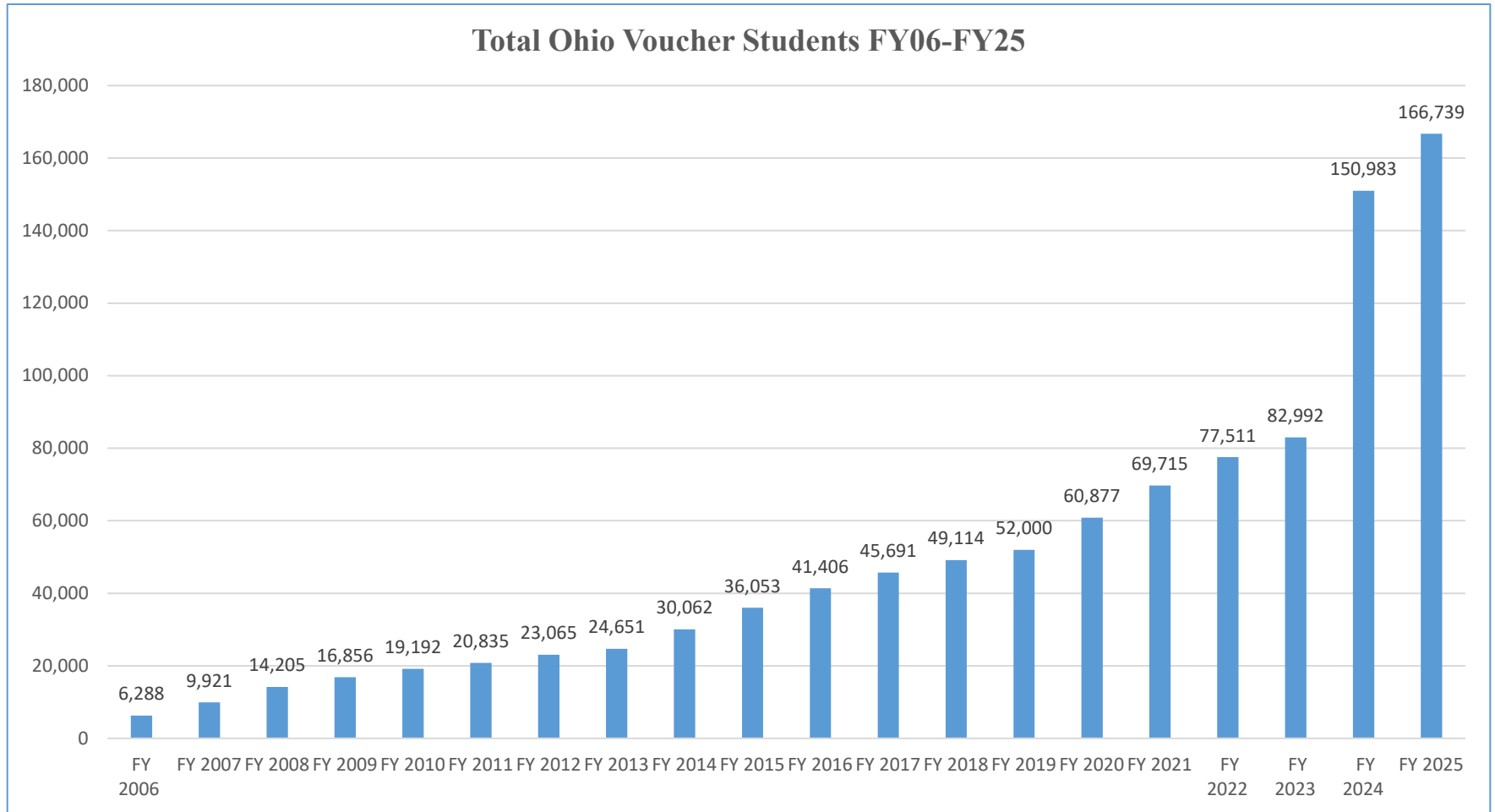
Ohio Voucher Program Participation by Program, FY14-FY25

Fiscal Year	Cleveland Participants	EdChoice Participants	EdChoice Expansion Participants	Autism Participants	Peterson Special Ed. Participants	All Voucher Participants
FY14	6,352	17,076	1,057	2,976	2,601	30,062
FY15	6,816	19,147	3,517	3,169	3,404	36,053
FY16	7,531	20,668	5,677	3,323	4,207	41,406
FY17	7,977	21,766	7,561	3,500	4,887	45,691
FY18	7,682	22,608	9,532	3,670	5,622	49,114
FY19	7,438	23,482	10,830	3,813	6,437	52,000
FY20	7,621	30,097	12,320	3,982	6,857	60,877
FY21	7,793	33,131	17,155	4,229	7,407	69,715
FY22	7,899	36,714	20,702	4,405	7,791	77,511
FY23	7,802	39,034	23,272	4,698	8,186	82,992
FY24	8,029	41,233	88,103	5,067	8,551	150,983
FY25*	8,363	42,643	100,995	6,091	8,647	166,739
FY14-FY25 Increase	2,011	25,567	99,938	3,115	6,046	136,677

Source: Data from ODE Reports Portal Scholarships webpage.

* FY25 data is current as of July 2025.

Total Ohio Voucher Program Participation FY06-FY25



Source: Data from ODE Reports Portal Scholarships webpage and ODE historical voucher data

Ohio Voucher Program Total # of Students and Expenditures

- The total number of students receiving vouchers in Ohio has increased from 6,288 in FY06 (the year prior to the inception of EdChoice) to 166,739 students in FY25.
- The EdChoice and EdChoice Expansion voucher programs have been responsible for the bulk of the increase in voucher students, with EdChoice increasing by 25,567 students since 2014 and EdChoice Expansion increasing by 99,938 students since 2014.
- Similarly, the cost of Ohio's voucher programs has increased from \$20.5 million in FY06 (the year prior to the inception of EdChoice) to an estimated \$1.074 billion in FY25.
- The vast majority of the increase in Ohio voucher students has come in the last 2 years. From FY14 to FY23 the number of voucher students increased by 52,930 students. 44,173 (83.5%) were due to increase in EdChoice and EdChoice expansion vouchers.
- However, from FY23 to FY24 the increase in the number of voucher students was 67,991, with 64,831 (95.4%) due to EdChoice Expansion.
- There was an additional increase of 15,756 voucher students from FY24 to FY25 with 12,892 (81.8%) due to EdChoice expansion.

Ohio Voucher Program Payments by Program, FY14-FY25

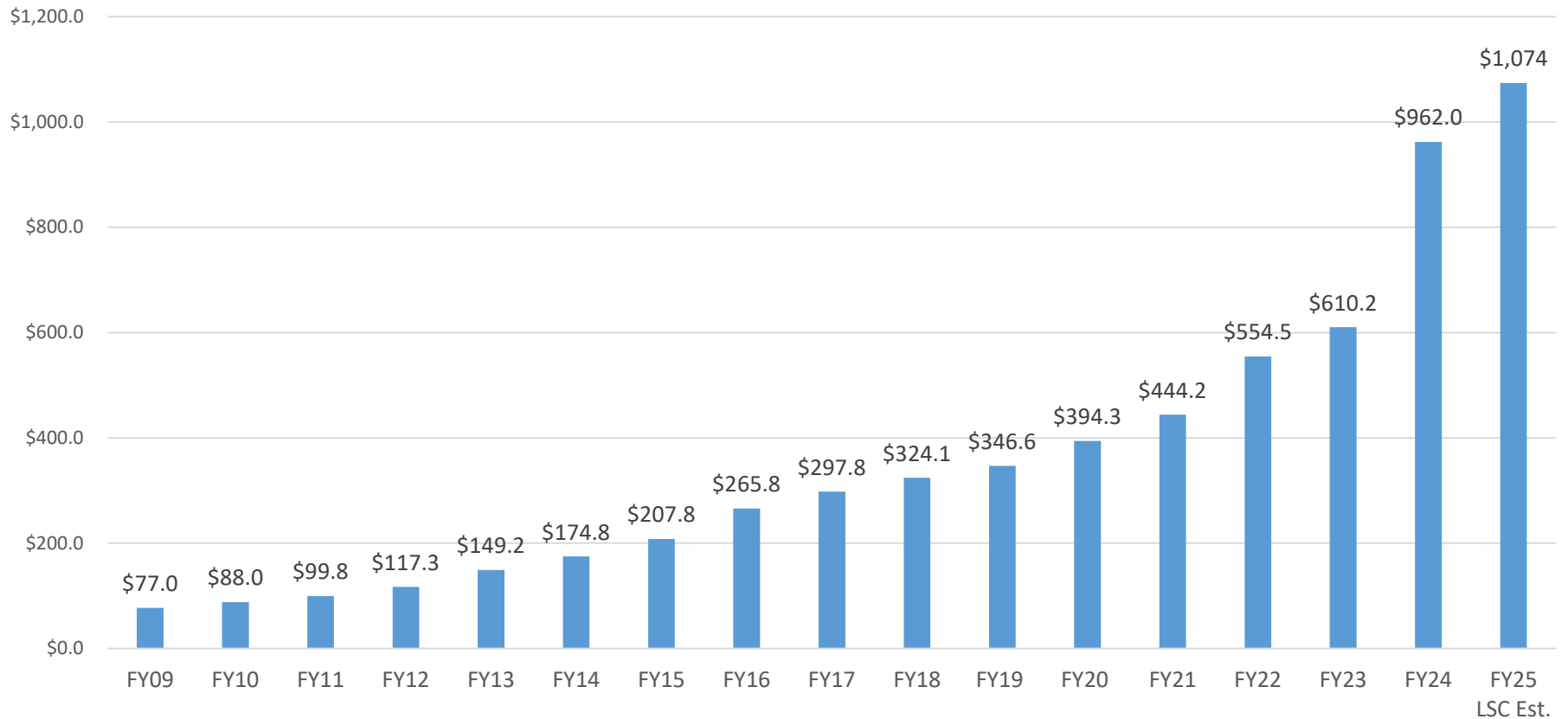
Fiscal Year	Cleveland Payments	EdChoice Payments	EdChoice Expansion Payments	Autism Payments	Peterson Special Ed. Payments	Total Voucher Payments
FY14	\$28,093,675	\$70,447,176	\$3,774,035	\$50,537,962	\$21,974,525	\$174,827,373
FY15	\$30,618,098	\$79,737,365	\$13,016,145	\$54,507,201	\$29,899,745	\$207,778,555
FY16	\$34,290,456	\$94,362,348	\$22,393,227	\$74,514,171	\$40,235,262	\$265,795,464
FY17	\$36,805,629	\$102,299,793	\$30,854,588	\$79,555,109	\$48,329,305	\$297,844,425
FY18	\$37,360,805	\$107,650,285	\$39,004,781	\$84,412,259	\$55,742,267	\$324,170,397
FY19	\$37,215,447	\$112,879,763	\$44,574,099	\$87,788,307	\$64,105,165	\$346,562,690
FY20	\$38,195,609	\$147,837,322	\$50,926,831	\$89,485,100	\$67,796,952	\$394,241,814
FY21	\$38,942,438	\$163,673,216	\$72,313,294	\$96,502,832	\$73,039,813	\$444,471,593
FY22	\$46,014,315	\$212,551,175	\$102,935,946	\$116,462,084	\$76,568,073	\$554,531,593
FY23	\$46,135,526	\$229,257,493	\$124,418,775	\$128,646,623	\$81,773,729	\$610,232,145
FY24	\$53,378,781	\$272,325,235	\$405,287,198	\$137,476,762	\$95,348,512	\$963,816,488
FY25 Est*	\$54,400,000	\$292,700,000	\$475,400,000	\$150,700,000	\$101,100,000	\$1,074,300,000
FY14-FY25 Increase	\$26,306,325	\$222,252,824	\$471,625,965	\$100,162,038	\$79,125,475	\$899,472,627

Source: Data from ODE Reports Portal Scholarships webpage.

* FY25 data estimated by LSC.

Ohio Voucher Program Total Funding, FY09-FY25

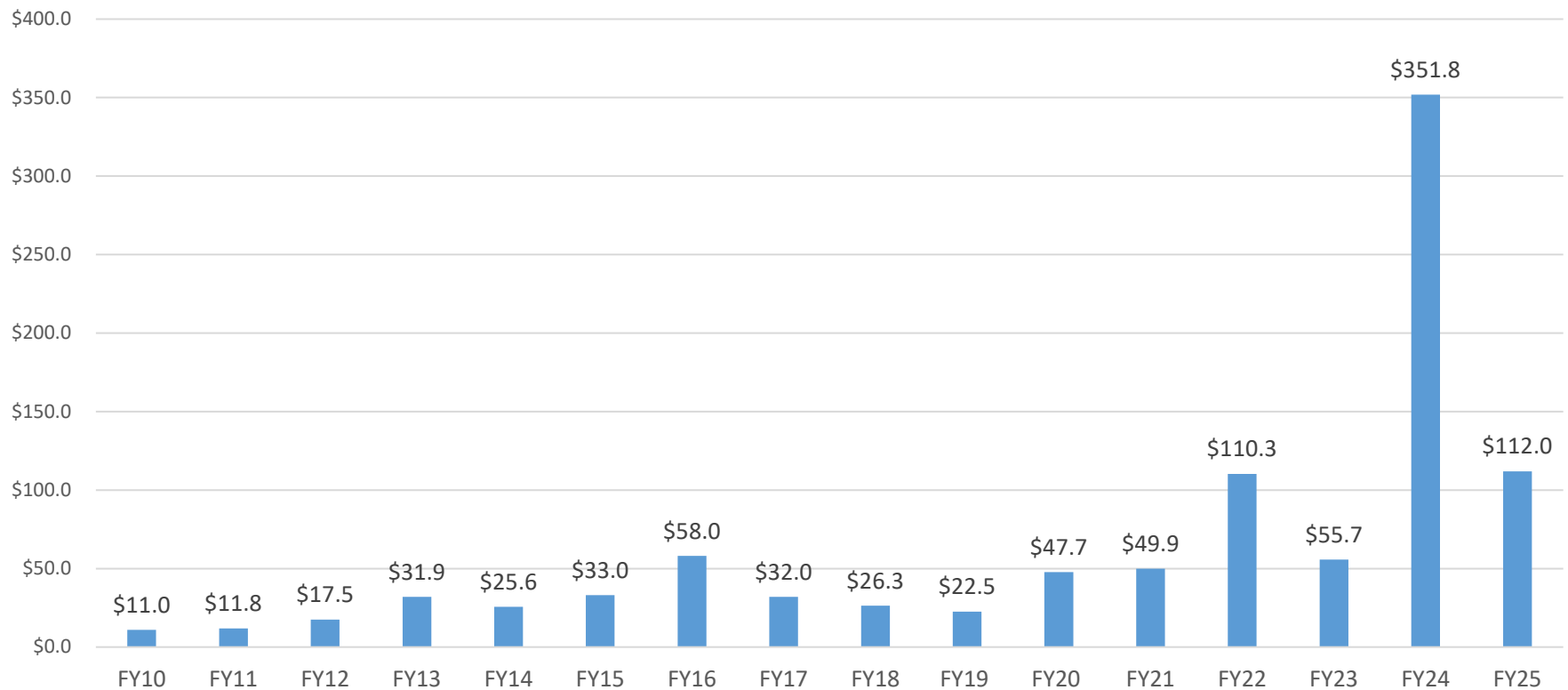
FY09-FY25 EdChoice, EdChoice Expansion, Autism, Peterson & Cleveland Voucher Funding



Source: FY14-FY24 Data from ODE Reports Portal Scholarship Payments webpage
FY09-FY13 data from ODE historical voucher information no longer on ODE website
FY25 Data estimated by LSC

Ohio Voucher Program Annual Increase in Funding, FY10-FY25

FY10-FY25 EdChoice, EdChoice Expansion, Autism, Peterson & Cleveland Voucher Funding Increases



Source: FY14-FY24 Data from ODE Reports Portal Scholarship Payments webpage
FY10-FY13 data from ODE historical voucher information no longer on ODE website
FY25 data estimated by LSC