

School Finance Redesign Project

center on reinventing public education

PERFORMANCE PRESSURE AND RESOURCE ALLOCATION IN OHIO

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The School Finance Redesign Project

The School Finance Redesign Project (SFRP) encompasses research, policy analysis, and public engagement activities that examine how K-12 finance can be redesigned to better support student performance. The project addresses the basic question, “How can resources help schools achieve the higher levels of student performance that state and national education standards now demand?”

Check in with us periodically to see what we’re learning and how that information may re-shape education finance to make money matter for America’s schools. You can find us at www.schoolfinanceredesign.org.

Jacob Adams, Principal Investigator

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Executive Summary

New accountability systems require that states and districts accomplish something never accomplished before—ensuring that all students meet state standards. To explore how these heightened state and national performance expectations have altered educational resource decisions, the School Finance Redesign Project (SFRP) conducted interviews of state, district, and school leaders in four states, asking these leaders about their efforts to improve student performance and the constraints they face in implementing improvement reforms. This report presents the findings of state, district, and school interviews conducted in Ohio State.

Our interviews indicate that school and district administrators and state policymakers do indeed feel pressure to improve student performance, especially for historically neglected and disadvantaged students, and they are responding to these accountability pressures by directing their attention and resources toward ensuring that all students achieve standards. Local administrators have responded to these pressures by focusing resources on enhancing the capacity and motivation of students, teachers, and principals and by aligning resource use with system goals. Efforts to improve the capacity and motivation of students include increasing instructional time by providing prekindergarten, longer school days and year, and more time on core subjects; improving the learning environment by reducing class size, changing schedules and school models, and providing non-academic services; improving instructional rigor; and enhancing learning through individualized attention. Efforts to improve the motivation and capacity of teachers include conducting embedded professional development activities chosen on the basis of proven effectiveness, alignment with standards and assessments, and identified needs; promoting collaboration and peer-to-peer learning; adopting more rigorous performance evaluations; and initiating limited use of incentives. Similarly, districts are providing professional development to principals focused on developing instructional leaders, and some districts are implementing financial incentives for principals tied to school performance. Finally, district and school administrators are attempting to align components of the education and finance systems. For instance, districts are attempting to focus resources on areas of need and align curriculum with standards. Districts are also trying to improve the decisionmaking process through strategic planning, the use of data, best practices, and evaluations of resource use.

While these efforts represent progress, local administrators reported a number of constraints to aligning resource use with goals and subsequently bringing all students to standard.

- First, student demographics—including the problems associated with poverty—pose formidable challenges to bringing all students to standard.
- Second, activities designed to improve instruction are hampered by inequitable, unstable, and often inadequate funding resulting from foundation funding determined by residual budgeting and the interaction of Ohio property tax limitations (HB 920) and Ohio State funding mechanisms (phantom revenue).
- Third, reform activities are also significantly impacted by union contract terms and conditions, historical perceptions of what schools and classrooms should look like, and lack of teacher and administrator capacity. While cultural change in the education community is happening, it is slow. Teacher and union preferences strongly influence resource decisions at every level of the system and at times prevent officials from doing what they believe is best for students.

- Fourth, administrators are only beginning to view effective resource use as the optimization of all possible educational expenditures to maximize student performance for a given cost. And those that are attempting to take actions consistent with this view often lack sufficient data and established practices to identify effective uses. In addition, most administrators view salary costs as immutable; therefore, given that salaries consume a large portion of district budgets, reform efforts are funded on the margins, primarily through restricted and unstable grant and philanthropic funds. Meanwhile, administrators' efforts to strategically use such funds are hindered by grant rules and restrictions.

At the state level, officials voiced many concerns that mirrored those of district-level respondents. State officials mentioned a lack of capacity among educators and administrators, constraints on reform activities imposed by union power and local collective bargaining agreements, and a need to determine “what works” (incorporating the ideas of value-added assessment), disseminate this information, and support districts' efforts to implement reforms to the extent possible. State officials noted that the judicial challenges have been ineffective at ameliorating inequitable, unstable, and inadequate education funding in Ohio, which were associated with HB 920, phantom revenue, and residual budgeting. While state officials provided examples, and a review of the history of education reform in Ohio provides several more, of the various education reforms and supports the state has implemented over the years to improve resource use and student performance, it appears that, they have implemented such reforms in spite of, rather than in concert with, education finance reform. While the various judicial decisions and the Governor's Blue Ribbon task force temporarily raised the hopes for finance reform, it appears that the legislature is unable or unwilling to overcome historical precedent and tackle ingrained political divisions to create substantive change. The inability of court mandates and task forces to move the legislature to action on key issues of education finance begs the question of how and when real change will eventually occur.

In sum, our interviews indicate that while district- and state-level leaders have made significant strides in attempting to improve the quality of education in Ohio through various education reforms, the legislature has failed to make commensurate progress regarding the equity, adequacy, and stability of education finance. Our interviews indicate that some districts have adequate resources, while others do not. Many districts' financial situations rest precariously on maintenance of the tax base and passage of the next levy. And too often, reforms and interventions take place on the margins of education spending. Meanwhile, coherent and strategic resource use is limited by lack of capacity, lack of information on “what works,” and data and tools to determine effective resource use, and the current system's complex funding streams, rules, and reporting requirements. In addition, certain reforms fall victim to the opposition of powerful teachers unions. Our findings shed light on the problems that ground-level administrators and policymakers face in implementing educational change within the current finance system and illustrate why progress is slow, despite these well-intentioned efforts. Our findings also make clear that Ohio policymakers and legislators cannot continue to view education finance discussions as unproductive distractions divorced from the work of education reform; instead they must attend to the system's structural problems if they are to reach the objective of bringing all students to standard. We hope that the findings of this and other SFRP reports will encourage policymakers, practitioners, and the public to overcome historical precedents, partisan politics, and resistance to change in order to create an educational system that truly makes student achievement the ultimate goal.

Introduction

The purpose of this study is to understand whether school finance systems and practices are adapting to today's student performance imperatives. If so, how? If not, why not? As such the study addresses attempts to transition from structures and processes primarily concerned with the equitable distribution of resources among school districts to structures and processes that more directly promote student learning. This transition is prompted by state and federal policies that demand better student performance and by state judicial decisions that explicitly link resources and results. Our goal has been to understand the relationship between performance pressure and resource allocation.

Transitions are rarely easy or linear, and the transition of the education finance system is no exception. As a result, one of the key objectives of this report is to trace the process by which school, district, and state officials attempt to reach new goals by way of an old finance system designed for other purposes. It is, therefore, the story of an ongoing struggle between improving student achievement and old ways of funding education.

This Ohio case study is one of four that comprise the overall study that is being conducted by the University of Washington (Ohio and Washington) and the RAND Corporation (North Carolina and Texas). In addition to the individual state reports, researchers will prepare a cross-case analysis that presents major findings and themes for the study as a whole.

Significance of the Study

Public schools must double or triple student performance in the near future to meet state and national accountability expectations. In Washington State, for example, only 52 percent of 10th grade test-takers passed the reading, writing, and math sections of the Washington Assessment of Student Learning (WASL), a requirement that all students will need to meet in the next few years to graduate from high school (Washington State Office of Superintendent of Public Instruction 2006). In Texas in fiscal years 2002-2003 and 2003-2004, campuses could meet their adequate yearly progress (AYP) requirement under the *No Child Left Behind* (NCLB) Act by achieving passing rates on the Texas Assessment of Knowledge and Skills (TAKS) of 46.8 percent for reading/language arts and 33.4 percent for mathematics (Texas Education Agency 2003). By 2013-2014, campuses will have to achieve 100 percent passing rates on these tests to meet the AYP requirement. Nationwide, more than a quarter of elementary and secondary students currently do not meet federal performance targets. Schools failing to meet their annual performance targets risk the imposition of sanctions. Performance challenges such as these pose substantial practical problems for America's schools.

From a school finance perspective, helping schools accomplish ambitious performance goals entails four actions: providing sufficient resources to get the job done, distributing those resources equitably to schools or students, using resources productively, and accounting for resource use in ways that capture that productivity. Because schools now must produce better student results regardless of whether their resources are rising, declining, or holding steady, the productivity component of this equation—that is, using resources to improve student performance—becomes more salient.

Whether current school finance structures and decisions promote productivity and student performance is a key question. The systems were designed to accomplish other purposes. They are poorly integrated with educational reforms and can be quite complex at the operational level. What's more, the bargaining and competition underlying them create a weak basis for productivity and lead to wide latitude in application of fundamental principles, such as adequacy and equity. Yet, school finance decisionmaking is fundamental to the notion of productivity in the sense that states now demand performance. These decisions, and the structures that condition them, dictate the degree to which resources support learning. Thus, a fresh and close look is in order. The study's focus on finance structures and decisionmaking procedures enables us to examine how and why resources are allocated and used as they are, how and why practitioners might use them differently if they could, and what impediments prevent them from deploying resources in ways they deem more productive. Findings regarding these aspects of school finance enable us to see how systems constrain (or enable) resource-learning linkages and how they might be redesigned to better promote student learning.

School Finance and Educational Productivity

How can resources promote student performance? Education famously lacks a “production function,” the recipe for converting resources into academic achievement. So how can observers tell the difference between—and therefore study—more- or less-effective resource use? The answer lies in the basic mechanisms of how people learn and change.

To promote student performance through the K-12 finance system, we must attend to the learning that occurs in classrooms, which results from the interaction of students, teachers, and materials (Sizer 1984). But what has to happen in classrooms for learning to occur? In answering this question, we find that lessons from different disciplinary vantages are converging around a few key concepts. Research on human competence development (Ford 1992; Ford and Ford 1987), for instance, indicates that learning is a function of an individual's *motivation* and *capacity* operating in an *environment* that provides information, materials, support, and opportunities to practice. These concepts appear again in implementation research (McLaughlin 1987), which views learning and change as a function of an individual's will and skill operating in a context of external pressure and support. “Will and skill” are synonymous with motivation and capacity. The “how people learn” literature describes learning as the result of a student's interests (motivation) and an instructional setting that capitalizes on that interest to build his or her capacity to read, compute, or master new material (Bransford, Brown, and Cocking 1999), just as research on learning policy (Cohen and Hill 2001) targets teacher and student capacity building via training and materials. Thus, individual-level motivation and capacity and system-level supports become important targets for resource use as well.

Confirming the centrality of these concepts to education, the National Research Council's Strategic Education Research Plan (National Research Council 1999) identified motivation and capacity as two of the four core interests in educational research. And confirming the utility of these concepts to school finance research, the National Research Council's Committee on Education Finance (Ladd and Hansen 1999) shaped its recommendations, in part, around the use of incentives and capacity-building investments to “make money matter.”

This perspective necessarily demands that we construe “resources” broadly to include dollars, certainly, but also staff (including their knowledge and skills), time, materials

(curricula), information (about student performance, finance, and human resources), discretion, organizational setting (class size, safe buildings), and technology.

Research Questions and Methods

The practical and theoretical focus on motivation, capacity, and system supports leads us to four central questions and related expectations in terms of what one would see in a performance-oriented school finance system:

1. To what extent do formal school finance mechanisms operate to support student performance goals? Here the study examines school finance mechanisms and the context in which these mechanisms operate.

Expectation #1: In performance-oriented school finance systems, formal mechanisms address school- and/or student-level adequacy (funding sufficient to accomplish performance goals), equity (funding based on need), and productivity (allocating and using resources to motivate and/or to build the capacity of those responsible for student performance).

2. Have heightened state and national performance expectations altered educational resource decisions? Here the study is concerned with salient changes in resource deployment that have occurred in response to more ambitious performance accountability demands.

Expectation #2: In performance-oriented school finance systems, decisionmakers use resource strategies and tactics explicitly to address student performance challenges.

Expectation #3: In performance-oriented school finance systems, resource decisionmaking aligns authority with responsibility, utilizes data, and includes cost-effectiveness analyses or similar considerations.

3. Would school finance decisionmakers deploy resources differently if they could, and what prevents them from doing so? This question examines preferred but unavailable resource strategies and the constraints that preclude their use.

Expectation #4: In performance-oriented school finance systems, decisionmakers understand what performance challenges they face; possess the resources, knowledge, and authority to address them; and operate in a context of pressure and support that encourages and enables them to use resources to improve student performance.

4. How do school finance systems enable or constrain efforts to link resources to student performance? This question targets factors that influence school finance decisionmaking. It addresses their relative importance at state, district, and school levels; and it assesses the direction of their influence: enabling or constraining resource deployment to promote student performance.

Expectation #5: In performance-oriented school finance systems enablers encompass formal mechanisms, practices, and contexts that allow resources to be linked with performance; constraints prevent such linkage.

These questions and expectations direct the research toward the mechanisms and decisions that dictate resource allocation and use; how each decision in the system conditions those that follow; and how these interrelated decisions facilitate or constrain the use of educational resources to support student performance.

We examine the extent to which school finance mechanisms and practices:

- provide adequate and equitable funding;
- use resources to build teacher and student knowledge and skills;
- employ incentives to direct behavior toward academic achievement in tested subjects;
- align resource decisionmaking with responsibility for results; and
- align system components—accounting, auditing, and the like—with the overarching performance goal.

The study was conducted primarily through semi-structured interviews with state- and district-level officials and school principals. Researchers visited districts and state capitals in 2005. In Ohio, 63 interviews were conducted in five districts and in Columbus. District interviewees include board chairs; district superintendents (and, where appropriate, subdistrict superintendents); human resources, finance, and academic/curriculum officers; teachers union representatives; and three to five principals per district. State officials include state board and department administrators, gubernatorial aides, legislators and legislative staff, and state teachers union officials. Data collected in interviews is supplemented by review of documents (including policy documents, court decisions, newspaper articles, and analyses by other researchers). Interviewees were promised that neither they nor their district or school would be identified. General semi-structured interview protocols for district-level officials, human resource specialists, building principals, and state-level officials are included in appendix A.

As the main source material for this study consists of interview transcripts, this report primarily presents interviewees responses to our questions. We acknowledge that interviewee responses may at times reflect certain biases, and in some instances may simply be incorrect. However, it is beyond the scope of this report to verify every statement made by study subjects. At points, we do interject some qualifiers into the discussion, but by and large this report simply attempts to present local administrators' and state officials' perceptions of the impact of performance pressures on resource allocation and use in Ohio. Despite these limitations, we feel that many of our findings have policy implications, whether associated with actual substantive changes to the finance system itself or whether related to correcting misperceptions.¹

SFRP researchers identified districts in each case-study state that differ in size, demography, and academic performance.

¹ We also acknowledge that since these interviews were conducted, significant changes have occurred in district and state leadership. Throughout this report, we attempt to footnote areas where there have been policy or contextual changes. However, given that no substantial changes have occurred to the finance system, we feel that the findings and conclusions of this report remain pertinent.

We attempted to include in each state:

- a district with a reputation for educational innovation (District Three, our “innovative” study district, which uses decentralized decisionmaking and site-based budgeting);
- a district that appeared (based on regressing test scores on district characteristics) to be “beating-the-odds” academically (District One, our “beating-the-odds” district);
- a district with similar characteristics to the “beating-the-odds” district but with relatively low performance (District Four, our “not-beating-the-odds” district); and
- a high-performing district (District Two, our “high-performing” or “wealthy suburban” district).

In Ohio, we also selected a fifth district:

- an Appalachian district that appeared (based on regressing test scores on district characteristics) to be performing better than predicted (District Five, our “rural” district).

While data drawn from these districts give us insights into how administrators’ and policymakers’ use of resources is affected by heightened performance expectations and the factors that enable or constrain effective resource use, the small number of districts in our study limits generalizations to other districts or states. In addition, SFRP is undertaking a separate cross-case analysis in hopes of determining if districts that differ on these dimensions also differ in how finance policies and practices are linked to school improvement efforts (i.e., a comparison of resource allocation and use differences between, for example, the beating-the-odds and not-beating-the-odds districts will be performed by looking at the findings regarding these districts in the four study states, instead of within one state). Table 1 summarizes the descriptors and characteristics of the study districts.

This report is organized into two main sections and two appendices. The two main sections provide (1) district- and school-level perspectives on the education finance system, and (2) state leader perspectives on the education finance system. The district and school perspectives section is itself divided into four sections, addressing:

- the capacity and motivation of students, teachers, principals and the system as a whole;
- environmental factors influencing performance;
- system funding including equity, adequacy, and regulatory requirements; and
- desired changes.

As noted previously, appendix A contains the protocols for both the district- and state-level interviews. Appendix B provides a description of Ohio’s school finance system and the surrounding context. A brief summary of our findings is provided below.

Table 1. Ohio Study Districts

District Pseudonym	District Descriptors	District Characteristics
District One	“beating-the-odds”	urban, similar characteristics to District Four, but beating-the-odds academically ²
District Two	“high-performing,” “wealthy”	suburban, wealthy, high-performing
District Three	“innovative,” decentralized,” “urban”	urban, uses decentralized decisionmaking and site-based management
District Four	“not-beating-the-odds”	urban, similar characteristics to District One, but not beating-the-odds ³
District Five	“rural,” “Appalachian”	rural, performing better than predicted

Summary Findings

To what extent do formal school finance mechanisms operate to support student performance goals?

1. *Finance systems are artifacts of history and do not support the coherent instructional programs and allocation of resources needed today to improve student performance.* The finance system in Ohio is not aligned with today’s performance expectations. The system relies too heavily on local property taxes resulting in inequitable distribution and unstable, and at times potentially inadequate, provision of resources. This inequity and instability fails to support learning opportunities for all students.
2. *The education finance system’s complexity works against its productivity.* A welter of funding streams from federal, state, and local governments and non-governmental sources combines with resource use stipulations and reporting requirements to produce a complex system that very few understand. This complexity both discourages discussion about reforms and detracts from transparency. A lack of transparency, in turn, impedes evaluation, the establishment of accountability, and the willingness of taxpayers to grant additional funds.
3. *The use of financial incentives remains relatively unexplored.* While financial incentives are used broadly in other professional settings and have been identified

^{2,3} As determined by regressing test scores on district characteristics.

as an important concept for “making money matter” in the education finance literature, their use continues to be very limited. Some districts and schools are experimenting with incentive pay to attract quality teachers or support teacher leadership, and several districts are employing individual-level incentives for principals tied to student performance. However, individual-level incentives for teachers and students—particularly those turning on performance—are rarely used. Thus, the school finance system may be failing to make the most of a potentially important lever for changing the behavior of key actors. It should be noted, however, that some respondents do not support the use of such incentives, as they believe them to promote competition at the expense of cooperation.

Have heightened state and national performance expectations altered educational resource decisions?

4. *Student demographics pose formidable challenges to resource use in light of the mandate to “leave no child behind.”* Subjects noted that a lack of student preparedness stemming from mobility, poverty, and immigration factors is one of the most difficult challenges they face in trying to educate all students to standards. One district in Ohio, for instance, reported a mobility rate of 34 percent. Unfortunately, local leaders often feel that they lack the resources and instructional knowledge to bring the most difficult-to-educate students up to proscribed standards. In urban districts, despite efforts to reform schools, administrators must also grapple with a legacy of racial segregation, economic inequality, and concomitant distrust of public schools. Lastly, state-level policymakers indicated that many educators and parents in the state do not understand, or encourage children to rise to the challenge of, the education levels needed in the new economy.
5. *Performance pressures have directed administrator and policymaker attention and resources toward student performance, but not all of the effects are seen as desirable.* New standards are refocusing administrator and policymaker attention and dollars on strategies they believe will help more children succeed at a higher level. Districts and schools are directing resources towards assessments, targeted and extended instruction, capacity-building for educators and administrators, improvements in governance and decisionmaking, and the achievement of historically neglected and disadvantaged students. Officials support these changes, but lament the trade-offs made to support them: a disproportionate focus on low-achieving students paired with fewer resources devoted to high-achieving and gifted students and an abandonment of non-core instruction and the development of well-rounded students.
6. *Many reforms and interventions are taking place on the margins of education spending.* A large percentage of school budgets is used to fund teacher salaries, but few actors at any level of the system seem to question the productivity and cost-effectiveness of these expenditures. Reforms therefore have mainly involved changes in the use of nonfinancial resources such as professional development, time use, and curricular offerings. While these changes may be necessary steps, they are unlikely to be sufficient to achieve the goals set by recent performance mandates. Moreover, many interventions are funded by state and federal grants,

which generally represent a small, restricted, and sometimes temporary portion of education funding.

Would school finance decisionmakers deploy resources differently if they could, and what prevents them from doing so? How do school finance systems enable or constrain efforts to link resources to student performance?

7. *Respondents are only beginning to develop a precise understanding of the concept of “effective resource use” and only sometimes think of effective resource use as the optimization of all possible educational expenditures to maximize student performance for a given cost.* Administrators in some districts are beginning to investigate the productivity of educational investments, but they appear constrained in such efforts by lack of research-based knowledge of “what works;” lack of outcome data; and lack of time, training, and tools.
8. *Administrators need more research-based knowledge about practices that work.* Current knowledge is insufficient to adequately improve the effective use of resources and student performance. Many education leaders do not feel they know enough to: inform teacher training and preparatory programs; provide evidence that politically popular but failing programs should be dismantled; and provide adequate remediation for students not reaching standards. Respondents also feel there is a strong need for solutions that help educators and administrators share knowledge. More systematic research and data-collection is needed to identify where connections exist and where other more qualitative or “intangible” factors may be at work.
9. *Union contracts influence resource decisions at every level of the system and often prevent officials from doing what they believe is best for students.* Respondents told us that contract provisions restrict their ability to deploy staff, time, and materials in the way they believe best supports improved performance. Seniority provisions govern the hiring and placement of teachers, limiting the abilities of principals and superintendents to staff their schools and coordinate beneficial educational offerings. Burdensome dismissal processes discourage the removal of underperforming teachers from the system. Time use rules prevent officials from holding team meetings, conducting professional development, and re-organizing schedules.
10. *Cultural change in the education community is happening, but slowly and amidst some resistance.* Almost all respondents noted that educator reactions to new accountability standards vary. Many characterized younger, newer teachers as being more open to using data, learning new methods of teaching, and being held accountable for their students’ performance than teachers who had been in the system for many years. Some teachers resist reforms such as the use of data and new methods of evaluation and training. Administrators’ efforts to achieve cultural change are also reportedly limited by lack of time and resources.
11. *Political interests and issues restrict administrators and policymakers from aligning resource expenditures with desired outcomes.* While most respondents seemed to agree with the courts that the education finance system in Ohio is inadequate and inequitable as the result of an overly strong reliance on local

property taxes for revenue, the state legislature and other officials seem unable or unwilling to take on the issue of school finance redesign in any meaningful way. Therefore, education reform in Ohio appears to be taking place in spite of instead of in concert with reforms to the education finance system.

To provide support for these key findings, the next section presents district- and school-level administrators' thoughts on the systems they work within daily. Because these perspectives are deeply shaped by the context of the Ohio school finance system, appendix B describes the history of this system, including constitutional mandates, judicial challenges regarding the adequacy and equity of the state's funding mechanisms, education reform initiatives, state practices, and revenue sources. It also discusses how the political and economic environments, union expansion efforts, and demographic and economic shifts have brought change to the system over the previous decades.

District- and School-Level Perspectives on Ohio's School Finance System

To gain a deeper understanding of how performance pressures are impacting local resource allocation, we conducted interviews in five districts in Ohio. This section discusses findings related to the study research questions, including how officials viewed their districts' and schools' use of resources, whether they thought the resources could be better deployed, and what factors enabled or constrained new and different resource allocations in their efforts to improve student achievement.

The Capacity and Motivation of Students

Perhaps no factor is more important to student performance than the individual motivation and capacity of students, yet our interviews revealed that many school and district administrators in Ohio feel that some, if not all, of their students do not perform to their abilities. These deficiencies are felt to vary systematically, moreover, respondents indicated that children of low socioeconomic status (SES) often enter the educational system with extremely deficient skills, while children from higher-SES families are better prepared.

Respondents' descriptions of their students' capacities vary with the socioeconomic circumstances of their districts. In all but our wealthy, high-performing district, school and district administrators stated that many of their students lack necessary skills and spend much of their time in outside-school environments that negatively impact their readiness to learn. Mobility and lack of parental support—both factors related to living in poverty—were often-cited causes of poor student performance. While these problems exist in all five of our study districts, the three urban districts appear to feel the effects of deficient student capacity most intensely. These districts contain higher percentages of both poor and special education students. In fact, descriptions of student capacity and motivation in the three urban districts were almost indistinguishable, with our rural district showing many similarities as well.

Our wealthy, high-performing district is a study in contrast to the urban districts. While students in the urban districts were often described as underprepared and poorly performing, the majority of students in District Two were described as extremely high-achieving. Whereas

parents in the urban districts were said to be highly mobile and minimally involved in their students' education, parents in District Two were reported to both push their children to excel and provide a stable and consistent home environment.

The descriptions below point to an important truism of education in Ohio: all students do not bring the same skills and abilities with them when they walk through the school door—with deep implications for what they are able to do once inside. School and district administrators appear to be well aware of this issue and described making efforts to ameliorate the inequality. These efforts include increasing instructional time by providing prekindergarten, longer school days, tutoring after school and over summer breaks, and more class time on core subjects; improving the learning environment by reducing class size, changing schedules, and providing non-instructional support; and enhancing learning through instructional improvements and differentiated instruction.

While local leaders identified these initiatives as actions they feel are important to improving student performance, they face many obstacles in implementing them. One of the most widespread strategies that our study districts indicated they employ is increasing the amount of time students spend on task in tested areas. But educators have a limited amount of time to spend with students each day, and extra instruction techniques that spill over standard school hours require additional funding and create conflicts with teachers' personal obligations and union contract restrictions.

According to our interviews, the presence of strict parameters of class size rules designed to bolster performance in lower grades means that administrators struggle to fund and fill positions for additional classrooms when student numbers increase beyond the maximum. Our interviews also indicate that attempts to implement reforms are also hampered by lack of teacher capacity and resistance to change.

The following section details the range of strategies that school and district administrators have employed in trying to improve the capacity and motivation of students. It also explicates many of the challenges they face in trying to do so.

Student Performance Challenges

When asked to summarize the aspects of student capacity that most impact their abilities to improve performance, school and district administrators in four of the five study districts said that many of their students are not at grade level. In District One, one principal said that 40 percent of students have skills two to three grade levels behind. In two of our urban districts, principals indicated that children who did not receive prekindergarten schooling prior to entering kindergarten lack very basic skills, such as distinguishing colors or being able to count. In District Three, one principal noted that many 9th grade students come in behind and have to repeat 9th grade classes two or three times. He blames “social promotion” for their presence in 9th grade when they are not prepared to be there. In this same district, several principals are disturbed by an “achievement gap” between white and black students in which even when white students were meeting standard, their black peers were not.

Only in our wealthy, high-performing district did administrators feel that the majority of students were performing at, or above, grade level. However, when asked to cite the major student performance challenges they faced, a number of respondents in this district observed that while most of their students are high-achieving, they find it a challenge to maintain their position

as a top-performing district in the state because of students entering the district who are behind grade level or have special needs. As one respondent explained, students who are educated in District Two starting in kindergarten generally do quite well. However, students who transfer to the district often have “gaps” resulting from deficient educations received elsewhere. These students are often so low-functioning that, as one respondent explained, “You would think they were special ed[ucation students], but you know better.”

Respondents also cited the high number of students living in poverty as a challenge, claiming that student familial poverty is a major cause of underperformance. While poverty itself does not directly produce underperformance, respondents recounted a number of problems that often co-occur with poverty and can disrupt both students’ preparedness to learn and their ability to perform. Of these concomitant problems, lack of parental involvement and student mobility were the most commonly identified issues.

In four of our study districts, respondents perceived that low-income parents often fail to involve themselves in their children’s education to the extent that they should. As one respondent in our urban, not-beating-the-odds district explained, poor parents are too focused on life essentials—maintaining employment and providing food, shelter, and safety for their children—to be able to read to their children, push them to excel, or help them with their homework. These parents are “in survival mode most of the time.” According to our interviews, an additional side effect of this lifestyle is that parents do not provide rules and routines for their children—that burden falls to teachers.

In some cases, respondents claimed that certain parents do not value education and do not encourage these values in their children. In one urban district a respondent stated that parents were more focused on students learning job skills for after graduation than on academic performance or college preparation. In our rural district, one principal claimed that parents discouraged students—high- and low-performing alike—from going to college because they do not want their children to move away. In another, one respondent attributed the lack of parental involvement to generational differences, observing that parents struggle to understand the salience of test scores because they were educated in an era prior to the new focus on performance.

Respondents’ assessments of parents in the wealthy, high-performing district provided dramatic contrast to the other four. In District Two, parents were described as both placing a high value on educational attainment in general and being highly involved in their own children’s education. Some district administrators described feeling “pressured” by parents to maintain their position as a high-performing district. Others praised the parents for helping their children with their homework and being involved in their children’s schools.

In addition to lack of parental involvement, respondents also identified high student mobility, another consequence of student poverty, as negatively impacting student performance. As one urban principal explained, poor students move a lot because their families are repeatedly evicted from housing. One school in our urban, beating-the-odds district experienced a mobility rate of 34 percent in one year; one respondent claimed that students were “coming and going weekly.” Especially in our three urban districts, mobility rates were seen as providing inconsistent educational experiences for students. In our rural district, administrators blamed local job loss for prompting families to move to adjacent states, where students encounter entirely different curriculum and standards. A similar problem was described in District Three—our decentralized

district—where students moving between schools may encounter different material at the same grade level. In our three urban districts, charter schools were also blamed for high mobility rates. Respondents complained that students often cycle between traditional public schools and charters, encountering vastly different material along the way.

Strategic Efforts to Increase the Capacity and Motivation of Students

As discussed above, each of our study districts faces challenges with regard to student populations, especially our urban and rural study districts. To help bolster student performance, districts report deploying resources toward activities designed to directly target student capacity and motivation.⁴ These activities are reportedly primarily designed for students who are below standard, and they aim to improve students' proficiency in tested areas. Thus it appears from our interviews that districts are focusing certain resources toward the neediest students.⁵ One of the most-widespread strategies described by our study districts is an increase the amount of time students spend on task in tested areas. School and district administrators indicated that students receive tutoring services after school and during the summer, with extra time squeezed into the existing school day as well. In addition, our respondents claimed that schools are using the school day differently, providing more time on task by cutting back on electives and providing double blocks of classes. Districts also discussed attempting to create more effective learning environments by managing class size, reorganizing classrooms, and providing non-instructional support. Finally, districts appear to place a great deal of emphasis on differentiating instruction, tailoring learning to the specific needs of individual students.

Districts/schools report increasing the amount of instructional time through tutoring, longer days and years, more time on core subjects, and the provision of kindergarten services. All five study districts also claimed to have increased instructional time by extending the school day to include tutoring and special programs before- or after-school. They noted that tutoring generally focuses on test preparation for high school students who must pass the Ohio Graduation Test and for students in tested grades at the elementary level. According to our interviews, eligibility for tutoring is typically based on students' performance in tested areas.

In our rural district and two of our urban study districts, interviewees indicated that federal grants are used to pay teachers after hours and to transport students home from after-school tutoring. In two of the urban districts, district and school administrators stated that staff intervention specialists also work with students in weak areas both throughout the day and after school. In our wealthy, high-performing district, out-of-work teachers reportedly are paid hourly to run a study center before and after school, where students can be assigned by their teachers to

⁴ The district officials and building principals we interviewed also believe that increasing the capacity and motivation of parents is a key step in increasing the capacity of students; however, the resource implications of efforts to improve parent capacity and motivation appear to be minimal. In Ohio, these efforts consist primarily of services to increase parental involvement. Four of our study districts have created specific parental or family resource centers. These centers provide liaisons to assist parents in accessing available services and in some cases, work with parents' advisory groups. Several of our districts host "parent nights" or "parent weeks" to talk about standards and the importance of parental involvement. These events also serve to help parents get to know their children's teachers and principals.

⁵ Some research indicates that resources for compensatory education, special education, and other programs are sometimes allocated unevenly across districts and schools. Moreover, some districts may use resources targeted at particular populations, such as Title I, to supplant their base allocations to schools, resulting in equal or lessened funding to the neediest students (Roza, Guin, and Davis 2007). Respondents' assertions that they spend more on needier students should be understood in this context.

work on specific skills. This district also pays teachers to tutor students who need remediation before and after school as well as during lunch. Administrators in some districts also report providing tutor services during other non-structured time, such as elective class periods and Saturdays. As one respondent explained, “We take every minute that we can.”⁶

Several of our study districts also claimed to increase the amount of instructional time provided to students by providing remediation programs during the summer. One district that appears to have a very well-entrenched summer school program is our wealthy, high-performing district. Respondents in this district described a program that is designed primarily for low-performing students and transfer students, who seem to be the most in need of remediation. According to our interviews, summer school programs also exist in all three of our urban districts. These programs are reportedly geared toward making-up classes that students have not passed, preparing for the Ohio Graduation Test, or providing other remediation.

Another strategy for increasing instructional time in our study districts is focusing resources and instructional time on core or tested subjects. District and school officials indicated that they have devoted extra time toward core subjects by creating double blocks of classes, especially math, science, and English. One respondent in our rural district explained that with only one hour on a subject they found they were just “glazing over” the material and have decided to “change the way we do business” by focusing more on tested subjects. Our wealthy, high-performing district described plans to implement double blocks of classes in their high school, but only for students who appear to be struggling as indicated by test scores.

Lastly, respondents in three of the study districts described providing prekindergarten services to students.⁷

Districts/schools describe efforts to create more effective learning environments through class size reduction, looping, new school models, and non-academic services. One way in which districts report trying to make better use of the time they have with students is by keeping class sizes low, especially in early grades. Our rural district, for example, apparently chose to eliminate Reading Recovery and expend these resources to maintain small classes. In one school in a different district, the principal claimed that teachers have chosen to teach an extra “bell” to distribute their students across more class periods. And in two of our urban districts, mandatory class size restrictions cap class sizes at 18. While in these districts class sizes have remained small, administrators complained that they must scramble to hire additional teachers and support staff when a class size tips beyond the maximum.⁸

Four of our study districts also report experimenting with innovative scheduling systems such as looping, a strategy in which students stay with the same teacher or group of teachers for more than one year. In our wealthy, high-performing district, administrators described abandoning these efforts because looping did not produce any noticeable differences in performance. In one of our urban districts, only some schools are utilizing this strategy because, as the superintendent pointed out, “You don’t want a kid to have the same awful teacher for three years.”

⁶ While some of this time is paid for with grants, our interviews indicate that volunteer tutors are utilized in some way in each of our districts to provide tutoring.

⁷ See appendix B for a discussion of early education reforms in Ohio, beginning on pg 117.

⁸ In our innovative district, several respondents pointed out that this ratio was intended to be an average student-to-teacher ratio, which allows for more flexibility, but was codified in the contract as an absolute class size limit, creating the complications mentioned above.

In two of the urban districts, efforts are being made to reorganize the placement of students across schools in a way that respondents believe will create more specialized and effective learning environments for children, increase attendance and graduation rates, and allow the schools to more effectively compete with charter schools. In District Four, our interviews indicate that “niche” schools, such as an all-girls school and a virtual high school were being created. Both Districts One and Four, our urban beating-the-odds and not-beating-the-odds districts respectively, reported creating more K-8 schools. These districts are also moving toward neighborhood schools and away from magnet schools in an effort to ensure that all students have access to high-quality programs. As the school board president in District One explained:

We had magnet schools in the 80s and 90s and so kids were bused in because this school offered a certain program. The philosophy of this administration is [that] we want quality education in all of our schools, not special little pockets of excellence. So we’re trying to duplicate programs all over the place, as opposed to just offering them as specialties.

Lastly, according to our interviews, our wealthy, high-performing district has instituted new policies for placing students in appropriate grade levels. As one respondent explained, transfer students are assessed and placed in the grade level appropriate to their performance relative to district standards rather than placed according to the grade they most recently attended:

There is no reason why [students] have to be in 8th grade because they were in 8th grade in [nearby urban district’s] schools, for example. They weren’t meeting the outcomes, and therefore they are not in 8th grade, no matter what you say.

Our interviews also indicate that some administrators are trying to create more effective learning environments by providing non-academic services to students in need. These non-academic needs are most obvious in our urban districts where two districts appear to provide fairly extensive services to their students. In District One, the percentage of students qualifying for free/reduced-price lunch is so high (90 percent), that district administrators chose to implement a free universal meal program, in which all students received both breakfast and lunch at no charge. This program was implemented both to reduce the shame of receiving free/reduced-price lunch and because, as one respondent noted, “[for] some kids, this is the only meal they get in a day.” This district also reports providing health care, immunizations, vision checkups and glasses, dental care, and counseling services for children in need. According to study respondents, District Three, with a similar population, also provides social services for students. One school, in particular, employs a fulltime psychologist because it enrolls a high percentage of students in foster care.

Districts/schools report trying to improve the rigor of class offerings. To enhance students’ proficiency and improve test scores, our interviews indicate that study districts are attempting to improve the quality of instruction in core subject areas. In two of our study districts, respondents specifically mentioned the importance of having increased the rigor of their curriculum, despite the fact that many of their students are underperforming. As the superintendent of District One explained:

It really is, “How do we provide the kind of rigor in instruction, particularly with a focus on literacy, and I would say secondarily math and science, that provides a level playing field for kids?” . . . So that has been our goal here, to make certain that first our students have . . . the prerequisite skills for literacy and that we

deepen the curriculum so that it's not this Mickey Mouse, watered down, kind of Dick and Jane, that many kids in urban districts and poor districts and minorities have as a standard in the curriculum.

Literacy appears to be a major area of focus in all of our study districts. At least two of our urban districts and our high-performing district claimed to be utilizing specific literacy strategies such as Reading Recovery, Accelerated Reader, the Four-Blocks Balanced Literacy Framework, Scholastic Read 180, Guided Reading, and Sylvan to improve students' literacy.

Administrators in the study districts also described attempting to offer more challenging curriculum at the high school level, both to meet the needs of high-performing students and to encourage more students to attend college.⁹ One of our urban districts (District Four) offers both a magnet academy for high-performing students as well as a program for supporting low-performing students with potential who would be first generation college students in their families. Both our wealthy, high-performing and our rural district mentioned offering AP courses, which, as one subject noted, are in high demand in the former (high-performing) district. According to our interviews, both the rural and innovative districts have created a "pre-engineering" curriculum intended to encourage students to consider engineering as a career.

Districts/schools describe trying to improve learning by individualizing instruction.

Respondents in all five study districts indicated that resources are being expended toward differentiating instruction to meet the individual academic needs of all students. Our interviews indicate that the wealthy, high-performing district especially has placed a great deal of emphasis on individualized instruction, utilizing what they call a "pyramided intervention strategy." In this strategy, the bottom of the pyramid consists of students who need minimal assistance and the top consists of those who require an IEP. Services are allocated to students according to the level of need. District Two reported using an academic referral system: teachers fill out a referral form indicating where a student struggles and which strategies have been employed. The assistant principal, guidance counselor, and parents then talk with the student about their performance. In a school in one of our urban districts, school administrators stated that each student has a personalized learning plan. This plan sets out four academic goals and one personal goal. Students meet with an academic advisor to assess their progress in meeting these goals.

As part of their attempts to individualize instruction for each student's needs, districts describe approaching the issue of inclusion in new ways. Our wealthy, high-performing district appears to embrace inclusion wholeheartedly, at least at the district level. Rather than using pull-outs to work individually with struggling students, the district has allocated resources to developing teachers' capacity to differentiate instruction because, as one respondent explains, the district believes "pull-outs don't work."

While two of our urban districts also described using inclusion units in which struggling and excelling students work in the same classroom, some districts indicated that pulling students out of the class provides opportunities to work closely with them on difficult concepts. As one

⁹ In addition to these programs, some study districts have also developed programs focused on technical and non-college careers. Our rural district has created "career technical" classes and an internship program with local businesses. This program serves to ensure "that a high school diploma has value." One of our urban districts has created "career modules" for students to learn about what is required for different careers, both those that require a college education and those that do not. As one respondent noted, this program helps students see that they don't have to go to college to get a good job, which is more realistic since not all students are college bound.

building principal explained, the school will sometimes pull out students who struggle with a concept from a class, and tutors will work on that concept with them. As another principal noted, this strategy allows teachers to do enrichment with students that remain in the classroom. A principal in our innovative district stated that they are doing both more inclusion and more pull-outs at the high school level. As he explained, because they have emphasized inclusion, “in the same classroom you’ve got a National Merit Scholar sitting next to a kid who can barely write a paragraph,” making pull-outs sometimes necessary.

In addition to pull-outs, our interviews indicate that teachers in at least four districts are using grouping strategies, such as guided reading groups, in which students read books at their own level, and flexible groupings based on test scores. As one respondent in District Three observed, using reading groups allows gifted readers to stretch their abilities while also allowing special education students to read at their own level.

A common evaluation of the new focus on personalizing instruction is that paying attention to individual students’ needs has especially helped students who would previously “slip through the cracks.” Or as another respondent more bluntly put it, “We don’t have that ‘teach the best; shoot the rest’ attitude.”

Districts/schools appear to provide limited incentives to students. According to our interviews, one of the ways administrators feel they can improve student performance is to increase students’ own motivation to learn and perform by offering extrinsic incentives. While none of our districts or schools offers purely financial rewards to students, several appear to have small programs in place that reward individual behaviors such as passing state tests and improving GPAs. These efforts seem to be conducted on a relatively small scale and involve token rewards such as field trips, pizza parties, t-shirts, and public recognition ceremonies.

This section has described efforts to improve student performance by directly targeting the motivation and capacity of students. In the next section we turn to efforts designed to improve student performance by improving the quality of teaching.

The Capacity and Motivation of Teachers

In our framework, both teachers’ capacity to teach and their motivation for doing so are important components of their contributions to student performance. Additionally, teacher salaries represent the largest district line item expenditure, making teachers a school district’s most valuable resource. Unfortunately, respondents indicated that not all schools and classrooms in our study districts are staffed with effective teachers. While some of our respondents praised their teaching staffs very highly and drew attention to the multitude of ways in which teachers have risen to new challenges, others pointed to deficiencies that inhibit both improvements in student performance and change within the system.

According to our interviews, some teachers resist system changes, especially the shift toward focusing on tested subjects at the expense of non-core areas. Teachers, especially those with many years of experience, may be unwilling or unable to change their teaching methods to correspond with new curricula or new philosophies. A few school and district administrators claimed that these inadequacies are part of a broader teacher culture that is not in tune with the new emphasis on performance. On the other hand, some interviewees indicated that newer teachers may struggle with insufficient preparation, especially in the skills required to enhance learning for low-performing or special-needs students.

To attend to these deficiencies and thereby improve student performance, school and district administrators across our study districts report deploying resources toward improving teacher capacity and motivation, with a special focus on making professional development more targeted by using data to determine need and more relevant by providing standards-based embedded training. Additional efforts include improving evaluation procedures and increasing teacher collaboration.

Our interviews also indicate that some districts are making a move toward tying teacher pay directly to student performance—though in practice these programs are more consistent with small, group-level rewards for group-level outcomes or simply extra pay for extra duties. As detailed below, respondents claimed that efforts to implement individual financial incentives tied to performance are strongly resisted by teachers unions. These objections appear to be based both on a cultural resistance to differentiating between individuals and concerns that principals lack the capacity to fairly evaluate their work. While some interviewees believe these concerns are legitimate, many respondents noted a desire to more directly reward individual teachers for their successes in improving student learning.

Discussion in the following sections:

- details a range of strategies administrators have employed in attempting to improve the capacity of teachers;
- presents a more detailed description of efforts to implement financial incentive programs for teachers; and
- captures many of the challenges that administrators face in trying to make use of teacher time in new ways.

Strategic Efforts to Increase the Capacity and Motivation of Teachers

To address the capacity deficiencies just noted, districts and schools appear to be implementing a number of strategies aimed primarily at improving professional development, teacher evaluations, and teacher collaboration. While administrators certainly view these new approaches as successful, it is not clear whether their efforts will play a significant role in improving student performance.

Districts/schools report emphasizing professional development to improve student performance. In all five study districts, interviewees indicated that professional development plays a key role in meeting new student performance requirements. While our interviews suggest that respondents in all districts perceive teacher skills to be highly related to student performance, this belief appears to be particularly strong in both the wealthy, high-performing and the beating-the-odds district where respondents stressed the relationship between teacher content literacy and student achievement:

It's all the classroom teacher that impacts student learning. And that teacher has to have that deep content and knowledge, they have to be assessment literate, and they have to have an arsenal of strategies, [so] that when kids aren't learning, they do something about [it]. And, so, all of our focus has been on scaffolding teachers to know the content, to become assessment literate. . . . It's about learning, not teaching.

Districts describe attempts to move control of professional development up the ladder.

The organization and control of professional development training varies across districts; however, regardless of the structure chosen, four of the five districts appear to concentrate most professional development decisionmaking at the district level. At least two of the districts have specialized professional development departments that control, at least in part, what professional development teachers receive. A third—the innovative district, which uses site-based budgeting—is unique in that it has signed a 10-year contract with an external, private organization to provide all of its professional development planning and delivery. Administrators in the rural district reported attempting to make professional development more meaningful by requiring teachers to justify their requests for professional development, share what they’ve learned with others, and show how they have benefited from the training.

Districts/schools report trying to make professional development more relevant through standards-based embedded training. Respondents in all five districts mentioned ongoing efforts to make professional development more relevant and streamlined for teachers. In practice, this means districts are attempting to align training with curriculum, tests, goals, and gaps in student performance. According to our interviews, general training across all five districts includes broad dissemination of and focus on standards and efforts to ensure that teachers possess the instructional skills necessary to teach rigorous lessons to diverse groups of students. A board member in a high-performing district indicated that the district offers actual lesson plans focused on standards, since teachers’ own ideas regarding what “reading, writing and arithmetic are about” often differ from the state-determined standards.

Additional strategies, designed to render professional development more effective, target the content and delivery of professional development. Many respondents highlighted the fact that professional development increasingly centers on subjects and grades tested by state assessments. Most of our study districts acknowledged an existing or intended move from sending teachers out to conferences towards embedded training, in which on-site coaches or professional developers provide concrete, on-the-job help with lessons, planning, and the implementation of new skills. An assistant superintendent explained:

The other thing that we are trying to grow is that it’s not okay to have one superstar, two pretty good, and one not so good. . . . It’s a team. It’s no longer individuals. We have to have that community, that collective responsibility for kids at that grade level. So all of the money we have spent is on job-embedded, standards-based, “Learn it today; take it back and use it” [training].

Finally, our interviews indicate that districts are increasing the frequency of training and asking for feedback from teachers to make sessions more relevant. An assistant superintendent commented that it makes “no sense” for teachers to have to wait until June to receive training in problem areas; she said that her district conducts training on a more regular basis throughout the year. Another district reportedly asks teachers to evaluate professional development activities and thus receives immediate feedback on the effectiveness of sessions.

Districts/schools claim to be using data to determine training needs. Respondents in three of our five study districts explicitly mentioned using data to guide professional development decisionmaking. According to our interviews, District Three is using data to determine what professional development is needed district-wide and has also conducted school audits to decide what school- and individual-level training to offer. A principal in District One described

administering student assessment tests quarterly and using the results to both make decisions regarding professional development and give teachers informal feedback about student abilities.

Districts report attempting to improve teacher capacity through evaluation and district-wide learning. Respondents in two districts discussed their districts' use of teacher evaluation systems to improve teacher capacity. According to our interviews, one urban district formally credentials exceptional teachers, providing them with additional compensation in return for playing a stronger leadership role within the district. Teachers must apply to the program, and, if they are accepted and receive positive evaluations, go on to provide professional development, mentoring, and evaluation for other teachers. Administrators in the rural district noted that they are in the process of adopting a new evaluation system to improve teacher capacity and are hoping to “get past the point” where teachers associate their principals' observing in the classroom with lack of performance and dismissal.

Several districts appear to set aside specific days for professional development during which all teachers from elementary, middle, and high schools can come together to share what they are doing. Some districts reportedly pay attention to differential progress or “individual pockets of achievement” to ensure that best practices are noted and shared. Our interviews indicate that the innovative district runs an “intensive induction program,” which provides new teachers with assistance in learning to manage and set up classrooms and our wealthy, high-performing district offers an on-site master's degree program

Schools discuss engaging in communication, collaboration, peer-to-peer learning, and departmentalization in an effort to improve teacher capacity. Our respondents mentioned not only large-scale capacity-building initiatives that districts have undertaken, but also smaller-scale, more informal efforts taking place at the school level. Often, these strategies attempt to forge more effective relationships, communication, and learning between teachers. In District Five, for instance, elementary school principals told us that they had recently implemented both grade-level and vertical-team meetings: the former create a common planning period for teachers of the same grade, the latter allow teachers to discuss how well students in one grade are being prepared for the material and challenges of the next. In a similar vein, a principal in wealthy, high-performing District Two noted that collaboration and the importance of a “professional learning community” is “really stressed” in his school, one result being that subject-area teams meet twice a month for more than an hour to discuss strategies, methods, assessments, and curriculum alignment. Principals in two districts discussed the benefits of having moved to block scheduling, which allows for longer instructional periods and better professional development and use of coaches.

Finally, in one of our urban districts and our rural district, respondents indicated that elementary schools have organized teachers into departments in lower grades—as low as 4th and 5th grade in the urban district and 3rd grade in the rural district—to improve instruction. Administrators explained that departmentalization allows teachers to focus their efforts on one subject area, allowing for better planning and higher teaching capacity. In our rural district, one respondent explained that departmentalization was effective because some teachers do not enjoy teaching math, and this system allows teachers to work in their primary area of interest.

Difficulties Encountered in Raising Teacher Capacity

Respondents pointed to several factors related to inadequate capacity or motivation that they feel limit student performance, including a resistance to change and a general teacher culture, as well as poor-quality teacher training institutions and lack of time and other basic resources.

Administrators claim that some teachers lack basic skills and motivation. In two districts, respondents indicated that some teachers simply lack the most basic skills and motivation and should not be employed in the profession. Teacher quality problems may be particularly troublesome for districts facing the toughest challenges, as in our not-beating-the-odds district, where the district human resource representative described the teachers he interviewed for reconstituted schools as “very scary,” their “25-year service records” notwithstanding. Other teachers in the district, he added, have “retired on the job and just haven’t made it official.”

Some respondents indicated that a few teachers may slow local capacity-building efforts. These respondents claim that a few teachers may be disinclined to attend training that is not compulsory or compensated, or training that requires follow-up action, such as making presentations to nonattending peers. The deputy superintendent in our not-beating-the-odds district declared that the district has made some training mandatory because voluntary training was not attended by those “you wanted to attend.” We heard a similar sentiment in our urban, beating-the-odds district, where a union representative stated that teachers won’t come in on Saturdays, even for “good stuff . . . valuable stuff.” A principal in another district told us that voluntary academy training in the summer is equally unattractive to teachers, characterizing their response to six-hour-a-day training for three weeks with little pay as, “Oh crap, forget it.”

Administrators note that resistance to change is common. A second teacher characteristic inhibiting performance gains, according to our respondents, is an unwillingness to change. At least two respondents in every one of our five study districts brought up the topic of “resisters:” those individuals who have “resisted a standardized curriculum;” “will not or cannot retire and will not change;” “fight the use of data;” or “shut the door and teach whatever they want.” In attempting to explain resistance and an unwillingness to change, respondents focused on teachers’ perceptions of their roles and the profession. Several mentioned that teachers feel that accountability measures infringe on their time and autonomy and limit their creativity and ability to “just teach” in the classroom.

Administrators claim that group-level, shared values and practices are aspects of teacher “culture” that at times impede reforms. A third frequently mentioned factor that respondents feel may be inhibiting positive change was referred to as “teacher culture:” the set of values, practices, customs, and beliefs that teachers as a group may be said to collectively hold and enact. Perhaps the most important aspect of teacher culture identified as challenging by several of our respondents is the belief that student test scores do not equate to teacher effectiveness. According to these administrators, teachers argue that a score cannot capture how well they are teaching because students are influenced by factors outside the classroom and may have had poor teachers in the past. Teachers reportedly also believe that test scores are not the only measure of success. Respondents noted that these beliefs are problematic because they lessen the amount of accountability teachers accept for student performance as measured by these tests.

A few administrators feel that teacher training in education institutions is inadequate.

In the course of our conversations, we learned that some school officials feel they face substantial challenges in trying to raise the capacities of educators. At least three respondents stated that teacher training institutions are not adequately preparing teachers for their careers. In our innovative, urban district, the superintendent stated that a lack of training has been a “hindrance” to the implementation of programs in schools. In our urban, beating-the-odds district, the superintendent criticized schools of education, even describing how she had tried to intervene to improve the quality of education that prospective applicants receive:

At one point in negotiations with several universities here, I said, “Look, some of my people are free. [The district research and assessment director] will come there; you will not have to pay her a penny . . . you’ve got a School of Ed[ucation] where most of your teachers are going to be . . . applying for jobs with me, it would be far more effective and probably cost-efficient, if we could do some of the upfront work [together], so I don’t have to professionally develop all of them who come. And the same with people who are aspiring to be principals.” We couldn’t get much buy-in there.

The third respondent who drew attention to the issue of inadequate teacher preparation is a board member in our not-beating-the-odds district. Citing “weak” skill levels and “real math deficiencies” among teachers in the district, this interviewee stated that there is “still a pretty significant gap between the higher ed[ucation] teacher prep programs and what urban schools really need in terms of being able to teach students.”

Administrators report other constraints including lack of time and money, contract provisions, and concern over absent teachers. According to our interviews, even when teachers are willing to attend, districts and schools face challenges in trying to provide effective professional development. One principal drew attention to the lack of resources, claiming that getting teachers to use what they have learned is a challenge, and overcoming this challenge requires more funds in the form of classroom support. However, Ohio’s education finance system provides limited funding for teacher professional development that appears to be insufficient to support ongoing embedded professional development activities such as coaches in the classroom.¹⁰ Our interviews also indicate that some districts find the contract provisions pertaining to the use of teacher time too constraining to effectively schedule professional development. In addition, teachers, principals, and parents may complain about teachers being pulled out of the classroom repeatedly for training. Two district-level officials affirmed that this is a problem, and a principal recounted a poll showing that one particular teacher had been out of the classroom 20 days during the year. This respondent added:

It has become[a bit of] an issue . . . with our parents, because our parents have said, “If we have the best- trained staff in the state, what good does it do our kid if the teacher is always out and there’s a sub in there?”

Efforts to Use Financial Incentives and Difficulties Encountered

Human competency theory lies at the center of our study, and a critical piece of that theory deals with individual motivation. People are animated by personal goals, and they evaluate their environment for pressure and support that will help them achieve those goals. Incentives change

¹⁰ For a detailed description of education funding in Ohio, see appendix B, beginning on pg. 93.

the environment in which teachers and administrators operate, and thus influence the direction, persistence, and intensity of their action. By altering the environment to include rewards or other effective inducements within the culture of teaching and school leadership, financial incentives may play an important role in shaping educators' behavior.¹¹ While there is still considerable debate about the potential merits of incentive pay in education, there are many studies and pilot programs underway in states and districts across the nation designed to examine this issue. However, in our study districts true financial incentives for teachers are used on a very limited basis.¹² The reasons for this are detailed below.

Just two of the five study districts report having a formalized financial incentive

program. Only two of our districts—the wealthy, high-performing district and the innovative district—appear to have in place formalized financial incentive plans for teachers.

Administrators in the suburban district indicated that the district has written a cash incentive into its teacher contract that provides a \$550 “salary differential” to all core classroom teachers in schools that meet their performance goals. Peripheral teachers receive \$250 if the desired outcomes are achieved, but they are eligible to receive an additional \$300 by assuming extra work related to student outcomes. A district official also detailed the reasons behind the desire for the salary differential:

There is so much pressure on the classroom teachers, that we're trying desperately to differentiate salaries. We are on a straight salary grid. There was a time and a place [when] I could defend the salary grid. I can [no longer] defend everybody making the same thing on the grid, because it's not the same. I don't mean any disrespect to phys ed teachers, but they're throwing around a basketball and going home at 3, while this other person has her grades and a paper four times a year. There's a big difference.

An assistant superintendent in this district added that non-core teachers are also far less likely than core-subject teachers to have to answer curricular questions and deal with parents who feel their children need extra help. In addition to the salary differential plan, this district has both an attractive salary schedule and a tuition reimbursement plan which serve as incentives for teachers. The former draws top teachers to work in the district; the latter encourages teachers to further their own education through graduate courses or seminars.

According to our interviews, the innovative study district also utilizes formalized financial incentive programs. According to our respondents, this district uses incentives to elicit leadership among its teaching staff and to build a larger base of “highly qualified” teachers in core subjects. The lead teacher program encourages strong teachers to play a larger role in the district. To participate, teachers must apply to and be accepted into the program, and undergo a comprehensive peer evaluation. In return for becoming credentialed as master teachers and

¹¹ While both intrinsic and extrinsic factors influence individual behavior, this study, with its emphasis on the education finance system, is focused on extrinsic factors—primarily those with financial implications. In addition, when asked about the use of incentives for teachers and administrators, most respondents automatically started talking about financial incentives.

¹² Respondents mentioned a variety of formal and informal incentive programs initiatives. These ranged from a program to financially reward teachers in schools that meet objectives, to a teacher-of-the-year program sponsored by a local bank. While a few of these efforts seem to be true incentive programs, others do not, either because teachers are unaware of the potential for reward before they act or because the rewards are not closely tied to individual behavior.

accepting additional duties, lead teachers receive a stipend of about \$5,000 per year. Another incentive program funded with grant money reportedly allows the innovative district to turn long-term and experienced substitute teachers into “highly qualified” teachers in key areas such as math and special education. The district uses the funds to provide educators who have not graduated from a teacher preparation program with the coursework and mentoring they need to become certified. As a result, these individuals are able to sign contracts that provide job security.

Administrators indicate that resistance to formalized pay-for-performance is based on concerns about fair evaluation. Pay-for-performance is generally one of the most discussed—and most controversial—types of incentives in education. As mentioned above, one of our study districts appears to have a group-level performance incentive plan in the form of salary bonuses for teachers in schools that meet performance goals. None of our districts, however, has successfully negotiated an individual-level performance incentive plan tied to student performance. While much of the private sector uses monetary incentives to guide the behavior of individual employees, school districts largely do not. As one board member noted:

It's a value system that I have difficulty understanding. . . . They've got a teacher next to them who is not performing well, and who's doing very little to perform well. They're performing well, because they work on the lesson plans and don't go home until 6 o'clock in the [evening]. . . . They can see the difference, and they're still content to make the very same thing as the teacher next to them. People in other disciplines would just never tolerate that. But teachers, . . . they've been indoctrinated that it's [for] the good of the whole. . . . So they lobby to get 4 percent for everybody, and they may deserve 8 percent. And the other person next to them, they deserve nothing, you know? But most other disciplines, I think, have crossed that bridge. . . . In corporate America you can get zero, and somebody who works down the hall from you gets 6 percent . . . but teachers, there's just such a distrust that they won't be evaluated fairly, and we've got to continue to work to fix that.

As alluded to in the above quote, respondents in our study districts suggested that union and teacher resistance is an important explanation for the lack of such programs.

Respondents in three of our five study districts—our three urban districts—specifically discussed union resistance to pay-for-performance plans. In one, a board member detailed how it would be “a battle” to get pay-for-performance for teachers, especially since the union is hesitant even about an incentive program based on teacher attendance. A human resource officer in a second district told us that that district had been able to conduct evaluations for at-will employees such as principals so that “people are paid on their merit,” but noted that they “haven’t been able to do that successfully yet” with teachers. This district is continuing to push for a merit-pay program with the union, although the superintendent believes that implementing teacher incentives would probably cause an “incredible, incredible insurrection.” A district official in the third urban district noted, “It [the collective bargaining agreement] certainly put a knife in the heart of pay-for-performance.”

Respondents offered a number of reasons for resistance to merit pay programs, but first among all are teachers’ beliefs that they either cannot or will not be fairly evaluated. Fair, individual evaluations are a function of many factors including measurable attributes,

comparability, supervisor neutrality, and clear lines of responsibility and influence. In three of the four districts in which we discussed incentives, district-level officials raised doubts that these characteristics exist in education.

Many respondents consider teacher quality to be a difficult characteristic to accurately assess. While some argued that test scores could serve as a basis of measurement for teacher quality, a superintendent stated that scores are not linked with teacher quality in the “belief system held by the majority of the pedagogical staff.” A human resource representative went farther to say that union members do not believe that anyone can “measure what good teaching is.”

Officials in several districts told us that even if agreement on measurement issues were reached, teachers and union members continue to worry about principals playing favorites during the evaluation process. Distressingly, a human resource official admitted that he “couldn’t disagree with them completely in [the] present environment, because with some schools and some principals, merit pay . . . would be very scary.”

Beyond measurement and supervisor neutrality problems, administrators noted that lines of responsibility and influence in teaching are not always clear, nor are they consistent for teachers across different schools. Both of these factors can render the link between performance and appropriate rewards more ambiguous. For instance, test scores in one subject (science) may depend on skills in another area (such as reading), making it difficult to determine which teacher is responsible for achievement gains. Similarly, some respondents feel it would be difficult to compare the performance of a teacher in a school serving many disadvantaged, disabled, or ESL students to the performance of another whose school serves the “best and brightest” students. Even the idea of pay-for-performance in the struggling schools may cause problems on its own: one superintendent declared that the public simply would not accept bonus pay to teachers in underperforming schools given “academic watch” or “academic emergency” ratings, even if scores improved.

Given the extent of these concerns regarding performance measures, fair evaluations, and the appropriate basis of rewards, it is perhaps not surprising that a number of our respondents appeared to feel more comfortable with incentive programs based on something other than performance—such as attendance or willingness to teach in hard-to-staff schools—or other potential indicators of performance such as amount of education and leadership roles taken.

This section has described efforts to improve student performance by improving the quality of teaching. Acknowledging that principal leadership also plays a role in creating effective learning environments, in the next section we turn to efforts designed to improve student performance by improving the capacity and motivation of principals.

The Capacity and Motivation of Principals

In addition to the quality of teaching, the tenor and effectiveness of school leadership also plays a crucial role in how well students perform. On average, respondents feel that a principal’s sphere of influence can be very large and thus that principal motivation and skill matter for student performance. A human resource officer stated that a principal’s leadership style “matters greatly.” A principal who has a good relationship with his or her staff will find that the “sky’s the limit” when it comes to getting the teaching staff motivated for performance, while a principal with poor relationships will be unable to influence the staff much at all. A finance officer took a

similar view, saying that principal will and skill impact the district's ability to implement programs and adding that there are "great success stories" of principals turning schools around.

Interviewees feel that principals in Ohio are generally comfortable as instructional leaders, many of them being former teachers themselves. However, our interviews indicate that local administrators are concerned that principals may have difficulty viewing themselves as managers and struggle with some of the duties this role entails. Both district-level staff and principals themselves remarked on the lack of financial and administrative skills possessed by many of those assuming principalships and a lack of available training that would help compensate for these deficiencies. District-level respondents and principals also reported struggling with implementing human resource policies.¹³

In an attempt to ensure that principals are adequately prepared to carry out their dual roles, districts have reportedly implemented several programs aimed at increasing both their capacity and their motivation, including:

- recruiting exceptional teachers and training them into principal positions;
- providing professional development and mentoring; and
- replacing those who are ineffective.

In addition, it appears that four of our study districts have been successful in explicitly tying portions of principal salary to the extent to which their schools perform or improve. Interestingly, our interviews indicate that these programs are not widely advertised; not all respondents were aware that such programs existed and few knew the exact details. Regardless, districts seem to have embraced the concept that principal capacity plays a crucial role in improving student performance and that principal motivation can be directly targeted both by removing those who are not effective and using financial incentives to improve those who are.

The following sections detail some of the challenges districts face in improving principal quality as well as some of the programs they have implemented to do so.

Strategic Efforts to Increase Principal Capacity

As a result of an increasing need for strong leadership and high student performance, districts appear to be actively attempting to improve the capacity of current principals and teachers likely to become principals. Respondents in three of our five districts mentioned a specific intention to "home-grow" more principals, in part to improve retention rates. Key

¹³ While union contract provisions certainly place restrictions on principal actions, some respondents feel that principals do not take advantage of the human resources control granted by the contract because they fail to embrace or do not understand their role in human resources management. Even in our wealthy, high-performing district, for instance, a human resource respondent declared that "some principals still don't think they can deal with certain things" and may not even "see themselves as someone's boss." A respondent in another district echoed this opinion, saying that some principals "don't understand what their authority really is." A second reason principals may not take human resource actions necessary to promote student performance is that they fear the consequences of doing so. A human resource interviewee in our low-performing district noted a tendency for principals to "pass people off" rather than document poor behavior because educators "feel everyone is salvageable." This respondents and her peer in the innovative district stated that there is a strong tendency for many "in education not to confront performance issues" and to "preserve working relationships" at almost any cost. A third reason principals may shy away from human resource action is that they do not want senior management to know that they are having problems in their building. It seems that some principals worry that confrontations with teachers reflect poorly on them and their abilities.

programs that support this goal include Teachers Aspiring to be Assistant Principals (TAAP) programs and leadership academies, which address instructional and management skills for aspiring administrators. Alternately, administrators in some study districts have reportedly turned to replacing principals that are not performing or who do not buy into the culture of performance with principals who do. One of our study districts made a point of hiring principals from the outside since incumbents were more afraid to “be tough” with teachers.

The nature of principal training has also changed as a result of performance imperatives. In one district, the superintendent and his staff explained that the focus of conferences is now on the skills that help principals become good instructional leaders rather than on the “administrivia” that used to consume a lot of time. According to our interviews, another district holds monthly “CEO seminars” for principals. The morning session of these seminars is spent covering district goals while the afternoon breakout sessions focus on specialized skills and sharing of best practices. Respondents noted that this district also utilizes on-line training and holds a principals’ institute at the end of each school year. And two districts appear to be trying to create greater principal capacity regarding human resources management by increasing principals’ access to the human resources division or ensuring that all principals “understand the labor contract backwards and forwards.”

Just as teacher coaches appear to be a popular resource at the classroom level, so too do principal coaches and mentors appear to be relatively popular at the building level. Respondents in three of our districts indicated that their district had some sort of principal mentorship or coaching practice in place. These ranged from mentoring programs that pair newer principals with more experienced principals—financially rewarding the more senior of the pair—to “executive administrator” positions that allow select principals to spend one day a week out of their building mentoring other principals.

The Use of Financial Incentives for Principals

Districts seem to have made better progress connecting principals’ pay to performance—and thereby holding them accountable for student performance—than they have connecting teachers’ pay to performance. Our interviews indicate that four of the districts tie at least some portion of their principals’ compensation to their performance. These incentives appear to be particularly strong in our wealthy, high-performing district where one principal stated simply that:

The district has incentives . . . for us to do a good job . . . that’s why people stay here. The district finds ways, if you’re performing and you’re accountable, then they’re going to find ways to make it worthwhile for you to stay.

In the study districts, incentive pay is generally awarded as an annual bonus or as a salary increase and appears to be on the order of a few thousand dollars per person on average. Respondents in two districts mentioned that rewards are sometimes tailored to fit the desires of recipients, taking the form of annuity contributions for principals who have hit the top of the pay scale or a contract or job title change for a principal seeking some alternative reward.

Respondents discuss using a myriad of measures to evaluate principals’ skills and performance, including student test scores, achievement of school objectives, outcomes on state indicators, school climate and constraints, and attendance and dropout rates. District Four reportedly conducts annual principal evaluations, rewarding those who have had six years of very strong performance with seniority status and additional compensation.

The above sections described efforts to improve student performance by improving the capacity and motivation of those most directly involved in the learning process—students, teachers, and principals. In the next section we turn to the less direct efforts to improve student performance associated with improving the “capacity of the system” (i.e., the alignment of the system).

The “Capacity of The System” (Alignment)

Creating effective learning environments requires attending to not only the capacity and motivation of individual actors in the education system, but also to the overall functioning of the system.

Effective system operation requires:

- collection and analysis of information to support thoughtful decisionmaking regarding resources;
- resource allocations consistent with stated goals and objectives; and
- governance that supports local actors’ efforts to reach stated goals and objectives.

In short, effective system operation requires alignment.

Districts in our study do appear to be trying to align resource use with goals and making better use of data, activities that, while not sufficient, may indeed be necessary to ensure effective use of resources. Systemic strategies reported by the study districts are aimed at improving student performance by changing the way districts and schools “do business.” One significant effect on resource use stemming from the new emphasis on student performance is that districts and schools discussed both setting student performance goals and examining their allocation of resources to determine if they are in line with those goals, prioritizing those that are working and attempting to phase out those that are not. When asked to describe ways they are making operational changes, respondents often used the words “aligning” and “focusing” to describe their actions.

Creating a more aligned system means broadly that districts reportedly are attempting to base resource decisions on their value toward reaching explicit goals. Under this model, expenditures should be targeted rather than haphazard. Curricula, for example, are designed and chosen based on how well they map onto state-level standards and are standardized across classrooms and schools to ensure that each child is exposed to the same material as his or her peers. Similarly, these efforts are focused on core areas—those that are seen as the most essential as well as those that are tested. Consistent with this focus on alignment, district leaders stated that they are also attempting to allocate more resources toward the classroom. Additionally, in our interviews, local leaders expressed a new view of equity consistent with the focus on alignment. This new view of equity involves allocating resources on the basis of need rather than equal distribution.

Respondents across the study districts discussed the importance of using strategic planning at both the school- and district-level to ensure that goals are properly delineated. They also emphasized the importance of continuous district-level leadership to the implementation of alignment and improvement efforts. To ensure that funds are spent both effectively and efficiently, districts also described improving their use of data to determine effectiveness and best practices as well as attempting to evaluate whether resources are being spent effectively.

While our interviews indicate that districts and schools are placing a great deal of emphasis on alignment, respondents noted a number of constraints that keep them from radically changing the way they deploy resources. One such constraint is the inability to allocate teacher time in ways that would best support goals. Rules contained within teachers' contracts often prevent district- and school-level leaders from radically redeploying teacher resources to students. Thus, even if district goals are clearly delineated, they simply may be unable to allocate these resources in the manner they see fit.

Another problem mentioned by administrators is a lack of knowledge about how to determine whether resources are used effectively. This problem stems partly from a historical emphasis on compliance—that is ensuring that resources are spent accurately, legally, and equitably—rather than expenditures based on innovation and effectiveness. The lack of tools for assessing what works, lack of knowledge about what works, and lack of funds to carry out desired strategies were also cited. Thus, despite efforts to align resource expenditures with specific goals, a paucity of information about whether these expenditures *are actually effective* makes it extremely difficult to know if expenditures and goals are truly aligned. Nevertheless, our interviews do indicate that despite little concrete information, interviewees feel that these efforts are in fact producing a difference in student performance. The problem, however, with assuming that upwardly moving test scores are such an indicator is that districts may be either missing opportunities to more efficiently use existing resources or may be unsure of how to proceed when improvements are not seen.

The next section discusses in greater detail these system-level efforts to better utilize resources to improve student performance, as well as difficulties encountered in doing so.

System Capacity Changes and Aligning Resource Use with Goals

Interviewees feel that alignment of resources with goals is one of the most important macro-level strategies they are using toward improving student performance. One respondent in our decentralized district explained that the most significant effect of the new push for student performance has been “aligning everything.” In our wealthy, high-performing district, one respondent explained that this push has meant that all resources, both human and fiscal, are now focused toward student learning.

Districts/schools describe aligning curriculum more with standards. One of the most salient areas in which districts (and schools to some extent) are making systemic changes is in their curricula. In all five study districts, respondents indicated that the new push for student performance has motivated them to examine the material on which students were being tested and ensure that they were actually teaching that material. As the superintendent of District Three explained, in the past this type of alignment was haphazard, whereas now it is intentional:

Much of my concern goes back to understanding what's being measured and how to know that that's being taught. And I think that over the years we have taught in terms of a textbook. And where it aligned itself with the standards, that was great. And where it didn't, the kids paid the price.

A specific example of alignment of curriculum with standards was identified in another urban district, in which a principal explained that 7th graders were doing well in life science on state tests but poorly on earth science, which was not taught until 8th grade. To correct this problem

the school stopped working from a textbook and began teaching life and earth science in both 7th and 8th grades.

One result of new efforts to align curriculum with standards is that curricular offerings have, in many districts, reportedly become more rigorous and intentional. In several of our urban districts, for example, administrators described efforts to increase the rigor of lessons to ensure that students were exposed to material as challenging as they would encounter on state tests. To do so, teachers both collaborate in writing lessons and evaluate lessons after they are taught to ensure effectiveness. After teaching the lesson, teachers bring it back to the group and score it with a scoring guide, making sure it meets standards, and then make changes to the lesson where necessary.

Districts indicate that standardized curriculum results in more deliberate and uniform exposure to subject matter. In addition to increasing rigor, all five study districts appear to be making efforts to standardize curriculum, both across schools and across teachers. In several districts, administrators explained that while curriculum was previously seen as a framework, and textbooks a guide from which to work, teachers are now required to use the curriculum and other materials such as pacing guides that they are either provided or develop with other teachers.

According to our interviews, efforts to standardize curriculum are also occurring at the district level. Of the four districts with multiple schools at each grade level, three claimed to have a standardized curriculum across schools.¹⁴ In the two urban districts with a standard curriculum, this standardization is seen as important because students in these districts are highly mobile. Standardization helps ensure fewer interruptions to students' learning when moves occur.

In addition to aligning curriculum to state tests and standardizing it across teachers and schools, some districts discussed attempting to pace their curriculum, both within the school year and "vertically." Our interviews indicate that all three of our urban districts are using pacing guides, and at least one of these districts requires that teachers follow them. These guides are intended to keep students on track to learn all the necessary material to perform on state tests and to progress to the next grade level. Administrators in two of the study districts also mentioned utilizing vertical alignment and vertical teaming, in which curriculum is coordinated by teachers in different grade levels to ensure that students are learning the necessary material in one grade to move to the next.

Districts report focusing resources on the classroom. Respondents also indicated that they are attempting to focus resources on the classroom (or "core" of instruction) in order to achieve their performance goals. In the study's urban district that had experienced several budget cuts in the years prior to our interviews, district leaders talked about making cuts as far away from the classroom as possible, including cutting central office positions to preserve classroom teachers. In another urban district also facing financial strains, leaders described a focus on increasing the amount of money allocated to the classroom (i.e., spending money on classroom personnel such as teachers and coaches). Respondents noted that the district had increased the percentage of funds spent in the classroom from 47 to about 60 percent, and they attribute the increase in student performance at least in part to this reallocation of resources. The third urban district in our study also mentioned attempting to allocate 65 percent of spending to the classroom. In the

¹⁴ In addition, in the decentralized district, which has district-wide textbook adoption but not a district-wide curriculum, one respondent hoped that the district was moving toward standardization.

study's rural district, where the administration was already lean with only a half dozen central office personnel, several respondents mentioned using resources to “get the right people in the right places.” And finally, in the wealthy, high-performing district, there appears to be an ongoing push to keep administration to a minimum and focus resources on expenditures that more directly impact student learning, as articulated by the district superintendent:

So, one of the basic tenets has always been, at least to me . . . and this is key, you spend the dollars as close to the children as possible. If they can touch it, it's a [more] effective purchase. It's that simple.

Decisionmaking/Governance Reforms and Aligning Resource Use With Goals

In all five study districts, administrators also recounted efforts to orient the governance and management of schools toward aligned, coherent, and strategic decisionmaking aimed at achieving performance goals including implementing improvements in planning and prioritization; rethinking the roles of central administration and school sites; and instituting governance and continuous improvement models. Our interviews indicate that study districts have also embraced the use of data in the decisionmaking and resource allocation process. As with other reforms, the extent and pace of these changes appear to vary by district.

Districts/schools report using strategic plans to drive decisionmaking. In our interviews, respondents discussed using the state-supported planning and prioritizing tools as well as other tools associated with strategic planning to establish goals and better align resource allocation and use with these goals.¹⁵

In our beating-the-odds district, interviewees noted that they developed a strategic plan in 1998, and that that plan, with its mission, goals, action steps, and responsibilities, has been used to guide resource decisions. As one subject noted, “Everything that we do fits into one of the focal points of the strategic plan.” In addition to the district plan, schools must develop Academic Achievement Plans (also referred to as Continuous Improvement Plans), which identify activities needed to reach goals established by the district. These plans guide resource use in the schools.

Administrators in the wealthy suburban district claimed that they have been performing strategic planning for the past 18 years, even using the same consultant over all those years to facilitate the process. The planning process involves development of a five-year plan and annual review of this plan. District and school personnel indicated that the plan drives everything that they do. As one district administrator indicated, “It's not been something we just did and put on the shelf. We live our strategic plan. It influences every single decision we make.” This district planning process also results in school goals, both for the building as a whole and for individual grades. Grade level teams prepare quarterly reports detailing progress toward these goals.

During our interviews, District Three, the innovative district, was reportedly in the process of developing a new strategic plan, having recently hired a new superintendent. District staff noted that they have eight district-wide initiatives focused on reaching their goals. In addition, respondents also indicated that they prepare the district-wide CCIP required by the state. Our interviews further indicate that each school develops what they call a One-Plan, with strategies

¹⁵ ODE has developed a Comprehensive Continuous Improvement Plan (CCIP) tool, which is a unified grants application and verification system. In addition, ODE requires that districts develop and submit five-year financial plans to demonstrate fiscal solvency.

and a budget for achieving school goals. The school goals are set by the district, and schools review their progress toward the One-Plan goals annually.

According to our interviews, District Four, our not-beating-the-odds district, was working with a consultant to develop a strategic plan, had developed eight district-wide initiatives to guide resource allocation, and used the state's CCIP tool to support resource decisionmaking. In addition, this district also mentioned adopting a continuous improvement model based on the Baldrige criteria for performance excellence,¹⁶ using the Balanced Scorecard to assist in decisionmaking, and working with Don McAdams at the Center for Creative Leadership on a management model for school reform.¹⁷ At the school level, the superintendent and associate superintendent work with the principals to develop school goals.

Finally, in District Five, the small rural district, respondents indicated that they use the state's CCIP tool to perform strategic planning. District and school leaders also noted that the CCIP drives spending in the district.

While the process of district planning and prioritizing should improve resource allocation, it should be noted that it is not clear how much real change in resource use results from strategic planning in the four districts that allocate the bulk of the resources to schools in the form of staff FTEs per pupil.¹⁸ In all cases, school improvement planning is subject to federal and state requirements and contractual obligations, but in these districts the planning is also restricted by formula FTE allocations. Based on our interviews, it appears that strategies contained in these site improvement plans, other than those in District Three, either do not require significant variations in FTE allocations from school site to school site and/or are being funded through marginal discretionary and/or categorical, grant, or philanthropic funds.

Districts/schools report attempting to base resource decisionmaking and allocation on data, best practices, and evaluations of resource use. One change that respondents in all districts discuss is a shift towards decisionmaking and resource allocation predicated on student performance and research data. As detailed below, respondents mentioned using student performance data to target resource allocation and use. Interviewees also discussed researching programs and best practices prior to adoption and implementation. Several respondents mentioned using data in the decisionmaking process and for everything they do, continually asking the question of how an action would improve student achievement/test performance.

Administrators in all five study districts described collecting student performance data and utilizing it to improve their decisionmaking processes, thereby improving the delivery of instruction to students. Districts have adopted various strategies for collecting and analyzing data, including using instruments such as practice state tests, short-cycle assessments, and benchmark tests (e.g., Battelle for Kids¹⁹, Dynamic Indicators of Basic Early Literacy Skills (DIBELS), and Scantron tests) along with designing their own data information management systems and training teachers and/or administrators on data analysis and use. Districts reported

¹⁶ The Baldrige criteria provide a framework for a systems approach to organization-wide goal alignment and a goal-based means for diagnosing the effectiveness of an organization.

¹⁷ This work involves establishing roles and limiting interference from the board, thereby improving governance and system operations.

¹⁸ Please see the section on centralization/decentralization beginning on pg. 39 for a discussion of allocation processes in the study districts,

¹⁹ Battelle for Kids is a nonprofit consulting firm focused on helping schools with school improvement efforts.

using assessment data to identify low-performing schools and subsequently channeling additional funds to these schools. Districts and schools administrators also claimed that they use assessment data to identify which subject areas require the most attention and resources (i.e., low math scores result in a focus on math instruction). Respondents also discussed using assessment data to identify low-performing students, to whom they then provide additional instructional supports (e.g., tutoring, summer school classes, placing strong teachers with weak students). Finally, our interviews indicate that local leaders use assessment data first to identify topics that students have not mastered and areas where curriculum materials are not aligned with state tests and then to address such deficiencies through targeted professional development and modified instruction.²⁰

Respondents also mentioned using data in an evaluative manner to assess whether programs are producing results. Some specific examples of such program evaluations include:

- evaluating performance of certain reforms (K-8 schools, Success for All) and making the decision to implement them more broadly or discontinue them;
- determining which schools to close;
- evaluating central office staff;
- identifying and removing ineffective principals; and
- piloting and evaluating different curriculum.

Study districts also indicated the importance of using assessment data to inform parents of student progress and using survey data to determine community and parent needs and desires.

Districts also discuss working to determine the most effective mix of centralization and decentralization. While the alignment of resource allocation and use with goals is important for system operation, so too is the flexibility to use resources as needed in any given context. Our interviews indicate that during the time of our site visits, three of the five study districts were contemplating or implementing changes to the decisionmaking locus of control, apparently still attempting to strike the right balance between standardization/central control and flexibility/local control.²¹

Upon taking the position in the late 1990s, the superintendent of District One reportedly centralized decisionmaking and placed strong controls on resource use to achieve coherence in the system and get the district out of financial crisis. Under this centralized system, the superintendent, with the help of her staff, allocates personnel and other resources to schools.

²⁰ Generally, respondents' evaluations of such data collection and use appear to be positive; they feel that having access to these data have helped them to raise student performance. However, districts have also faced implementation problems, both in the form of fiscal constraints and in administrator and teacher resistance.

²¹ In Districts Two and Five, resource allocation and use decisionmaking is primarily a district process, and, unlike the other three districts, no changes in decisionmaking authority were identified by our study. District Two allocates personnel to schools, along with a small per-pupil funding amount that the school controls. Interviewees indicated that the district feels a need to provide the same resources to each school to be equitable. Schools sometimes request additional resources, and these requests are accommodated by the district if justified. However, these requests usually result in small interventions in one school or additional resources for all schools of that grade range. In the schools, principals and their department heads make decisions about resource use. In District Five, the district superintendent allocates personnel and materials to schools, although he does meet with them regularly to discuss their needs. Principals have control over the "principal budgets," which are derived from school fundraising efforts (e.g., candy bar sales drives, vending machine sales).

While it appears that principals have some input into district decisionmaking processes through discussions with the superintendent and submittal of budget proposals, it is clear that most of the decisionmaking is still very centralized.²² Interviewees indicated that the superintendent gives more flexibility and control over resources to principals who prove themselves through high student performance, and she had been contemplating giving principals even more control when the budget crisis of the early 2000s hit the district, necessitating cost-cutting measures and staff layoffs. Conversely, the superintendent keeps close tabs on schools that are not performing well.

In the late 1990s, one of the urban study districts instituted a decentralized decisionmaking and budgeting process that included weighted student funding. At the time of our visit, this district allocated approximately 70 percent of its resources²³ to schools through a weighted student formula and then allows schools to use resources as they see fit—within regulatory and collective bargaining restrictions—to meet their goals.^{24, 25} While decentralized decisionmaking has been in place for several years, during our study some erosion of local control was taking place. According to our interviews, the district had recently instituted several measures in an effort to adjust their student-to-staff ratio or “right-size the district.” These measures included a voluntary early retirement and severance package offering followed by a hiring freeze. These actions resulted in some situations where schools were not allowed to hire staff to fill vacancies even if they had the funds, instead having to employ substitute teachers to fill these vacancies. In addition, during the year we performed our interviews, before the district approved the school budgets, they calculated student-to-staff ratios and required some schools to cut positions, again even though the schools had sufficient funds to cover the positions.

In District Four, when the current superintendent was hired and the bulk of the board staff took office, resource allocation and use decisions were centralized to develop a system of managed instruction consisting of a coherent vision, instructional strategy, and professional development plan. As the superintendent put it, “We’re all going to have to drive this bus, and we can’t drive it all over the place.” Prior to this change, decisionmaking was decentralized without an associated process or plan. At the time of our interviews, the superintendent and academic team allocated personnel to schools and also controlled the selection and use of instructional materials and methods, although they did obtain principal input through open school meetings. During our interviews, the district leadership indicated that they would like to

²² At the school level, principals have a small pot of money they have control over.

²³ This 70 percent consists primarily of general, nonfederal, and nongrant funds but also excludes cost elements such as professional development, transportation, utilities, and custodians. The district has a budget committee to determine how to allocate the federal and grant funding as well as these general fund costs.

²⁴ In general, the process begins with the principal and district determining the anticipated student count and the district calculating the resulting monetary allocation. Then the principal and the Instructional Leadership Team develop a budget, which is subsequently voted on by the faculty, and then sent to first the Local School Decisionmaking Council and then the district for final approval.

²⁵ While the decisionmaking process varies from school to school, in general, principals have significant flexibility to use resources. The principals we spoke with liked having control over their budgets, but some indicated that budgeting was not necessarily their forte. As one stated, “You know, here I’m running a \$6,000,000 budget. I don’t even do my own checkbook at home because [my wife] doesn’t trust me.” Others noted that the inclusiveness of the process can be problematic as it is hard to cut the jobs of people you work with, and as decisionmaking at times is controlled by adult interests, “No one wants to get their little piece of the pie cut.” A district official also noted that the school decisionmaking bodies can block district initiatives by refusing to approve implementation and associated funding, and another district staff member indicated that the decentralized budgeting prevents the district from taking advantage of some economies of scale/negotiated cost savings.

move to a more site-based decisionmaking system, but they feel that they must first have the leadership capacity and other supporting features of managed instruction, as well as a strong financial situation, in place to make that succeed.

Respondents recognize the importance of leadership continuity, discretion, and effective governance. Based on our interviews, the ability to implement and the subsequent effectiveness of aligning resource use hinge significantly on leadership continuity, discretion, and effective governance. In our wealthy, high-performing district, respondents attributed their success to a continuity of leadership, noting that the district has had the same superintendent and largely the same administration and board for the last 18 years. Interviewees in this district also noted that they were performing strategic planning and holding themselves accountable to that plan long before such planning was necessitated by state or federal regulations. In District One, a district official also discussed the importance of continuity:

Steadily since 1998, we've seen an increase in student performance. And it's because we have a board [and] an administration with a strategic plan [and] principals/teachers that were all incredibly focused and have kept our focus over a period of time on what we think matters most as opposed to the program of the day or the year. . . . I think steady leadership matters. And steady leadership that has a very, very clear idea about what impacts student performance.

In District Four, interviewees mentioned the importance of “sticking” to the strategic plan’s vision and action items. The district financial officer noted that doing so is difficult with frequent leadership changes:

Every time a new executive staff comes in or a new board comes in the direction changes, which means that now your contracts aren't aligned with your goals and things so you're spending a lot of time, [and] resources trying to realign those contracts and things. And it's difficult. But . . . our board just signed a new . . . five-year contract with the superintendent and our board [members are] strong proponents of academic reform. They understand the importance of longevity with respect to the leadership. You can't reform a district and you can't hope to change the direction and then have your constituents and community embrace it if it's changing every two or three years.

Similarly, in District Three, interviewees noted that it is hard to focus on and consistently improve student performance with frequently changing leadership, focus, and initiatives.

Respondents also indicated that good working relationships are critical to implementing system improvement. In both Districts Two and Five, interviewees mentioned the importance of having a board that provides the superintendent with the freedom and authority to do their job, as one superintendent noted:

They give me enough rope to hang myself. I mean, they have placed the responsibility right there, and that's all we can ask. Don't keep me from doing my job, but expect me to get the results for you. Give me the ability to do my job, and if I am not doing it, then maybe you need to look for somebody else. And they do. They have given me the ability to do that.

Respondents in District Two also stressed the importance of administrator and teacher relationships and the importance of building a professional learning community focused on the

same goals. Similarly, in Districts Four and Five, administrators mentioned the importance of having a board and superintendent with a good working relationship, trust in each other, and an aligned vision.

Difficulties in Aligning Resource Use with Goals and Using Resources Effectively

One of the many concepts we discussed with district- and school-level officials was effective resource use. We wanted to understand what the concept meant to them, whether they were thinking about how to deploy resources more effectively, and what measurements and guides they use to assess the effectiveness of resource allocation. In the process, we also heard about factors that constrain or enable resource assessments and effective redeployments. While our interviews may indicate that officials in all districts are sharply focused on the new performance expectations, committed to creating new cultures of achievement, and concerned with making good decisions, they also suggest that in many cases these actors lack the skills, tools, or discretion to create significant change.

Most administrators feel that resource use is generally effective, with some room for improvement. A majority of local leaders—particularly those at the district level—feel that resources are being used effectively. This is not to say that school and district administrators are perfectly satisfied with the status quo. Approximately half of the respondents who feel that resources are being used effectively added that the link between resources and performance could improve, and respondents in a district that is struggling to meet performance standards seemed less inclined to feel that resources are being used effectively. Instead, they said that deployment is more effective than it had been in the past, but is still not good enough to meet performance requirements.

Administrators view salary expenditures as largely immutable and therefore efforts to use resources more effectively have involved relatively small changes in resource allocations. An important finding of our interviews is that the single largest line item of spending in school district budgets—salary costs, which constitute approximately 80 percent of most district budgets—is typically not viewed as an expenditure subject to significant change. Several factors contribute to this oversight, including the presence of continuing contracts, class size restrictions and expectations, and traditional notions of what classrooms, schools, and districts look like. To the extent that the *effectiveness* of individuals in the system improves, the buying power of these dollars may increase. A handful of respondents are thinking more deeply and broadly about how to increase the “buying power” of their dollars—by working with teacher preparation programs to improve training, for instance—but the thinking of many does not extend beyond common reforms that occur largely on the margin of instructional practices. For the most part, strategies that could increase the effective use of these funds by significantly altering *what is bought* (e.g., more use of technology and distance-learning instead of teacher-guided classrooms, more teacher time rather than smaller classes, different mixes of professional staff, higher teacher salaries for highly effective teachers in exchange for larger class sizes) with these funds do not appear to be on the table. Thus, while many of our study districts and schools have been charged with creating dramatic achievement gains, their spending patterns appear to have changed in comparatively small ways. Moreover, because payroll consumes such a large percentage of the budget, the amount of discretionary dollars available to fund new strategies is seriously curtailed.

Administrators differ in opinions on how to measure effective resource use. It appears that administrators' conceptions of how to measure effective resource use are more general than specific. Indeed, a striking number of administrators in Ohio told us that the direction of student performance is their measure of effective resource use; across all districts, officials asserted that a rise in student achievement was a clear indicator of effective resource allocation. This link is a general one because officials are usually not tying specific investments to performance gains. Rather, they view increasing scores as indicative of their "doing something right."

While officials most frequently cited test scores as an indicator for assessing effective resource deployment, they also mentioned a number of other methods by which they attempt to understand the impact of resource use. Some respondents described examining changes in graduation, dropout, attendance, and discipline rates to determine if expenditures are effective. Others rely on conversations with parents and communities to evaluate whether a resource allocation is worthwhile. Similarly, some ask teachers for their feedback after training sessions and require them to demonstrate alignment of desired professional development spending with school objectives. Programs are also reportedly evaluated by comparing them to recommendations of research organizations and councils and by hiring external agencies or other "unbiased assessors" to analyze them. Spending is also assumed to be more effective when a larger percentage is "in the classroom." While some of these indicators may better ascertain effective resource use than others, the responses lead to the conclusion that officials are thinking on some level about the links between resources and student performance.

However, the prevailing lack of specificity in districts' current analysis of resource use has two implications. First, it means that districts or schools not seeing performance improvements know they are doing something wrong, but not what they should do differently. As one official mentioned, declining scores might serve as a "red flag," but they do not offer any guidance as to how resource use should change. Second, even districts seeing improvements are uncertain of the underlying mechanisms creating change. Consequently, they may be missing opportunities to maximize performance for a given level of resources, remaining content with an upward trend of test scores.

Administrators identify specific constraints to assessing effective resource use: a lack of tools and capacity, segmented dollars, and lack of knowledge. One of the reasons that effective resource use is an interesting topic in school finance is that the concept of effectiveness is a relative newcomer to finance conversations. For many generations, the distribution of resources has been guided by notions of accuracy, equity, and legality. The effect of these mindsets has been an overriding focus on spending money "correctly"—that is, according to classification schemes, legal mandates, or other pre-existing requirements unconnected to student performance. One of the academic officers we spoke with discussed how documentation has been favored over impact assessment, and how the district was having a difficult time transitioning their focus from auditable outputs to effectual outcomes:

I think a good portion of what we do and what we have been doing has really been on paper. We've got a great paper trail of documentation that we've done X, Y, and Z. But when we really actually look at the impact, we don't have a lot of information that says, that X, Y, and Z actually did what we expected them to do. But we can document that we did it. Because best practice says districts that provided benchmark assessments tend to improve student achievement. Well, we could check off that we'd provided benchmark assessments. But have we really

looked at if this had an impact academically? And we haven't quite gotten there yet. We haven't gotten to the impact. We were in a system where the output got confused with the outcomes.

Respondents told us that several factors render resource use assessments difficult. The most frequently mentioned such factors include a lack of assessment tools, a lack of capacity and will among those charged with deploying resources, and the segmentation of dollars among different administrative units and spending categories.

Those who drew attention to tool and capacity problems associated with analyzing resource use mentioned a lack of student data and ongoing evaluations regarding the learning process and a lack of automated tools that track spending for principals with weak financial skills. They also pointed to the need for more time and leadership among senior staff to direct such activities.

A few principals mentioned how the rules and restrictions on certain sources of revenue prevent them from employing funds effectively, and a district financial officer cited the partitioning of dollars as a reason behind the lack of strategic planning and resource use:

I think the biggest problem is that all of our dollars are not working together, because we have too many pockets of fiscal responsibilities. What I mean by that is that state and federal manage their dollars, and do their thing. Grants Management manages their dollars and does their thing. We manage the General Fund and work that piece. But sometimes [these happen] in isolation, so federal may have intervention people, Grants Management has intervention people and in my opinion, we have duplication of effort and duplication of service—at which point we're not effectively using our dollars. . . . We really need to put our plan together, lay the money on top of it, figure out what's paying for what, and drive out that way. We don't do that necessarily.

Finally, our interviews suggested a fourth problem constraining effective deployment of resources: a deficit of research-based knowledge about how resources can be used to increase student achievement, particularly in traditionally underperforming communities. One of our district-level respondents, for instance, observed that performance pressures had heightened awareness of the desired link between resources and performance, but not created such a link. This disconnect between funding and achievement is also apparent in the fact that respondents were relatively mute on the subject of alternative resource use. As an example, one principal noted that he feels they should be able to use their resources more effectively, but simply didn't know what else they would or could do.

The previous sections discussed internal efforts to improve student performance as well as some constraints that impede implementation of educational reforms. The next section details external factors that influence student performance.

Environmental Factors Influencing Performance

The ability of district and school reform efforts to enhance student performance using the reforms noted above is influenced by various external or environmental factors. These environmental factors include state accountability system implementation, union collective bargaining, community and business support, and competition from charter schools.

At the time of our interviews, state accountability was not new to Ohio, however, requirements of accountability still posed considerable challenges for administrators. In particular, some respondents feel that state accountability has been poorly implemented, with testing preceding standards, and they were frustrated that standards continue to shift. Others raised concerns that accountability has forced a narrowing of curriculum and that test results are a poor measure of achievement. However, respondents also expressed the opinion that state accountability standards have forced them to pay attention to poorly performing groups and to focus their resources on tested subjects and grades. And some mentioned that NCLB had further improved the state's data collection, forcing them to disaggregate student subgroups where they previously had not.

Administrators also detailed the important role that teachers unions play in how resources are allocated. They explained that because teachers unions are such a strong constituency in Ohio, and because teachers' salaries make up the bulk of district budgets, unions exert a large degree of control over the resources in the system. They also feel that the specific teachers' rights outlined in contracts strongly influence how leaders are able to deploy teacher resources. Provisions detailing how teacher time can be used, how teachers can be hired and transferred, and the protections to which they are entitled when facing dismissal are all seen as extremely limiting.

Class size limits and teacher resistance to incentive programs are perceived as constraints to innovation. While acknowledging that these provisions exist to protect the rights of teachers, our respondents generally feel that the provisions also limit resource use. In turn they inhibit the ability to use teacher resources more effectively, leading to the perception that teachers unions protect teachers at the expense of students.

While teachers unions are felt to exert influence on resource decisionmaking, interviewees also feel pressure to meet community and business demands and to compete with the growing charter school movement. Districts rely heavily on local support from property taxes collected through levies, so our study districts are quite aware that community perceptions of public schools play an important role in their funding. While our wealthy, high-performing district and our rural district feel well-supported by their local communities, our urban districts struggle with a legacy of distrust of in the public schools based on poor performance and mismanagement of funds. In these three districts, the growing threat of community (charter) school competition is prominent in some interviewees' minds.

The following sections discuss in greater detail the influences of accountability implementation, collective bargaining, community and business support, and charter competition.

State Accountability Implementation

The development of the accountability system in Ohio has posed challenges for administrators and educators attempting to help students reach standard. And while several respondents mentioned embracing the concept of accountability, they also made a point of highlighting challenges of and concerns regarding the implementation of state and federal accountability systems.

Administrators indicate that assessments and standards implementation presented challenges. Respondents in our study commented on how the flaws in the implementation of the state accountability system created challenges for moving all students to standard. They noted

that instead of initiating testing with young students and easing students into the routine of taking tests and teachers into teaching tested material, Ohio began accountability testing with 9th graders. To make matters worse, one respondent noted that testing began before standards were developed. Administrators also indicated that changes in the assessments from proficiency tests to achievement tests and changes in tested grade levels have made it difficult to align local curriculum and benchmarks with standards and assessments.²⁶

Despite the poor implementation in Ohio, administrators report that accountability has helped focus resources on needy students and tested subjects and grade levels. Respondents across the study districts indicated that accountability pressures resulted in a focus on using data to identify and allocate additional resources to students who are not meeting standards. They stressed the importance of transparency in the data, created by using disaggregated test scores to judge performance. They noted that NCLB was instrumental in this disaggregation because, prior to the passage of NCLB, Ohio's accountability system did not require disaggregation of data by student type, which concealed differences in achievement for subgroups. For instance, an administrator in our rural district observed that while special education students previously were allowed to "coast," the increased resources focused on these students because of NCLB's requirements that they be included in AYP calculations results in schools now challenging these students and discovering that they "can do a lot more than what we expected from them."

Several respondents also indicated that accountability pressures pushed them to focus resource use on achieving the established goals. For instance, interviewees reported allocating more resources and time to tested subjects, specifically spending more time on reading and math instruction and more money on test prep and assessment materials and early intervention. In addition, accountability pressures have reportedly caused districts to focus professional development activities on tested subjects. Finally, interviewees indicated that districts are paying more attention to staffing. For instance, respondents indicated that principals are being counseled out or fired if they are unable to produce certain levels of achievement, district leaders are more discerning about awarding tenure and continuing contracts, school and district leaders carefully consider teacher qualifications relative to school needs and NCLB's "highly qualified" teacher requirements, and teachers are more selective when it comes to student teachers.²⁷

Some administrators voice concerns regarding Ohio's accountability system.

Respondents in the rural district voiced concerns that accountability pressures are resulting in narrowing of the curriculum. One respondent claimed that the state tests do not adequately measure student performance or achievement. Others feel that test scores are not the only measure of success and that broader more inclusive measures of success are needed.

Respondents also identified concerns regarding accountability's influence on teaching and school leadership. One respondent hypothesized that "highly qualified" requirements for teachers

²⁶ For a complete discussion of standards and accountability implementation in Ohio see appendix B, pg. 114.

²⁷ In contrast to these comments, a few administrators downplayed the impact of state and federal accountability. A respondent in a large urban district indicated that while accountability has changed how they allocate resources, their improved test scores are a result of stable leadership and not a change in resource allocation. Another individual in this same urban district and another in the wealthy suburban district indicated that NCLB did not produce significant changes in the district because they already had been working to get as many students to pass the accountability tests as possible. Similarly, a district official in the wealthy suburban district indicated that accountability has not changed what they do, because the district had developed a strategic plan years earlier and had been holding itself accountable for meeting the goals of that plan ever since.

may cause them to move from public schools to private schools, and another noted that NCLB's "sticks" (e.g., being labeled as "failing" for not making AYP, the threat of reconstitution) caused experienced teachers with seniority transfer rights to flock to high-performing schools. Finally, an interviewee in an urban district noted that accountability's reconstitution mandate does nothing to remove poorly performing teachers from the district because they are placed on the displaced list and eventually are reassigned to another school in the district.

Our interviews also indicate concerns about the fairness of the accountability system. Respondents in one district characterized the accountability system as unfair because it compares district performance across the state, regardless of resources available or student population demographics. A union representative in this district expressed her opinion that they should be judged on improvement rather than just performance, claiming that accountability tests are simply an attempt to prove that teachers are not doing their job.²⁸

Respondents noted how difficult it is to bring the most needy students up to standard. They discussed the extent of additional resources consumed by these efforts, in both realized costs, that result in fewer resources for other students, and also in-kind costs, associated with teachers' voluntarily spending planning or after-hours time with struggling students. Respondents also expressed concern that while special education children were recognized as suffering particular challenges in learning, districts are still held accountable for their performance, as reflected in the annual yearly progress (AYP) measure. In District Three, one respondent complained that while instruction for special education students is necessarily driven by their individualized education plan (IEP), students are held to higher standards than the material to which they are exposed. In District Five, another administrator expressed a concern that NCLB's cap, on the number of students who can be counted toward AYP by passing alternate assessments,²⁹ could be insufficient in districts with a high number of severely disabled students. Finally, a number of districts, including our wealthy, high-performing district, complained about the lack of resources to support the extreme costs of these students. In this latter district, several people observed that because the special education program in the district is known to be successful, parents move to the district to take advantage of that program, with high expectations of success.

Union Collective Bargaining and Associated Human Resource Policies

Teachers unions are a strong educational constituency in Ohio.³⁰ Given this strength, unions exert considerable control over the education system through employee protections, seniority and transfer rights, dismissal requirements, and influences on other resource use. According to our interviews, this control in turn frequently constrains the actions of district and school leaders.

²⁸ It should be noted that since the time of our interviews, Ohio has implemented the use of value-added data to support measurement of district and school performance and that the incorporation of such measures may address some of this interviewee's concerns. Ohio's value-added system includes a web page containing longitudinal, value-added data of state assessment performance for districts, schools, grade levels, and individual students. A value-added measure has also been included in the state's district and school report cards and value-added instruction is required at the state's teacher education programs. In addition, Ohio is one of the eight states piloting the use of value-added data (growth models) for use in meeting NCLB's AYP requirements.

²⁹ NCLB allows districts and states to count severely cognitively disabled special education students who take and pass alternate assessments as proficient for the purpose of AYP as long as this number does not exceed 1 percent of all students in the grades assessed (34 CFR Sec. 200.13(c)(1)(ii)). It should be noted that NCLB does provide an opportunity for districts and states to apply for a waiver or exception to the 1 percent cap.

³⁰ For a discussion of union influence and teacher collective bargaining in Ohio, please see appendix B, pg. 126.

Many administrators perceive that the contract protects the interests of teachers at the expense of students. In all three of our urban districts, interviewees at both the district and school level agreed that contracts have a highly constraining effect on decisionmaking and resource allocation. Furthermore, most feel that the contracts impede key actions they believe are necessary to improve student achievement. Several individuals, including the principal below, characterized the contracts as vehicles that promote the interests of the adults in the system at the expense of the children whom the system is intended to serve:

I have a contract. I have a very lengthy, very detailed contract. And the contract, I think, should be thrown out and started over. I think it's become so cumbersome that the contract and the union have lost sight of what's best for kids, and it's what's best for teachers.

An academic officer in our innovative district had a similar take on contract control and its ability to interfere with basic organizational functions:

I think [the contract] is probably the most handicapping instrument in urban school districts. It just does not allow us to make even no-brainer decisions: [to] put the right people in the right place at the right time. We just don't have the flexibility to do that.

A final quote indicates a human resource officer's opinion on what teacher seniority rights imply about the current mission of educational systems:

They have a job. I'm okay with that . . . but allow me some of the flexibility of putting the people where I think they will do the best job. . . . If I can't do that, then it further restrains everybody, and [then] you have this whole miserable team. I've got to call the first senior person back [from a list of those who have been laid-off]. They go to this spot, the next one here and here. At least in those three spots allow me to say, "Here are the next three people. Here is where they fit best," and be able to have some flexibility to do that. When you can't do that, then . . . I really don't know that our real mission is student achievement.

These comments suggest just some of the ways our respondents in these three districts feel that union contracts place teachers' rights before students' rights. Thus, while a union official we interviewed stated that the contract is "kind of intertwined with 'that which is good for teachers is good for students,'" our interviews suggest that a sizeable pool of our respondents may disagree with this assessment.

Administrators feel that seniority and transfer rights in contracts restrict schools' abilities to hire and retain the teachers they want. Respondents in our four largest study districts cited union contracts as a hindrance in hiring and retaining the best teachers.³¹ They described being unable to hire teachers from outside the district and being forced to place teachers not trained in the Montessori methods in Montessori schools because of seniority clauses requiring hiring from layoff lists. They also described having less capable staffs as a result of seniority rankings which push less senior but more talented teachers out of their schools during difficult economic times.

³¹ Complaints were far less frequent in our wealthiest, suburban district where we were told that principals have a large amount of control over hiring decisions and where an open position draws an average of 2,000 applications.

Several principals linked their lack of control over hiring and staffing to a lack of progress in student achievement. Voicing an opinion shared by several other respondents, one principal declared:

The teacher contract really is a huge obstacle in achievement, period. I would say, if I could change things, I would change the whole contract to where each school can get whatever teacher they want to get, no matter what. And you'd see dramatic increases in student achievement. It's all about the person who's in the classroom.

In essence, many respondents feel the seniority clauses allow the wishes of senior teachers to trump the hiring preferences of principals and the needs of students. Indeed, the few principals who have been able to successfully hire their preferred candidates described “gaming the system” or “breaking every rule there was to be broken to get the right person.” One such principal explained how the underskilled teachers on the district’s layoff (surplus) list impact his hiring process, recounting his admittedly roguish solution to the problem:

The way the district's set up with the union, it's set up so backward that [District Three] public schools . . . don't even have an opportunity to hire these really good teachers who would like to come here, because of the way that the union has a contract. So . . . all the teachers that no one wants have first choice at these jobs . . . the teachers who are surplussed or asking for transfers. There's a pool of these teachers that no one wants. A lot of [principals] either don't know how to play the game, or are unwilling to play the game because of [fear of losing] their jobs, and so they'll allow the district just to assign these teachers to their school. What I'll do . . . is [say] that I don't have a position, [until] “Oh, my God, the first day of school, I've got a high school English position. We've got to get a high school English teacher.” And, of course, all the people you wouldn't want already have jobs, so now we can bring in this new person from one of the local districts that we have been recruiting for two or three years behind the scenes. So that's how we've been able to assemble our staff.

This principal’s comments indicate that a principal wanting to exert quality control over his or her staff must often act far outside of general protocol to do so. Further, he or she does so at the expense of other schools, which must absorb these inadequate teachers so that his strategy for acquiring new teachers is effective.

Seniority rights were identified as being particularly troublesome in districts that have recently experienced layoffs. Because they stipulate that the most junior teachers are laid off first and hired back last, these provisions have a tendency—according to our respondents—to rid districts of newer, innovative teachers while retaining “old teachers that need to be gone” or those who have already “retired mentally.” In fact, an academic officer said that if there were one thing she could do differently with the district’s money, it would be to provide incentives to such teachers to retire.

Administrators claim that contract provisions make dismissals “cumbersome” or “nearly impossible.” Respondents in all of our study districts indicated that firing teachers was

at best “very stressful,” “a lot of work,” or “an arduous task” and at worst “nearly impossible.”³² Citing the three years of documentation it requires to recommend a tenured teacher for termination, many principals feel they simply don’t have the time and resources to engage in the process. Others noted that even if time and resources were available, proving that a teacher lacks adequate skills or motivation is very difficult unless the person is “grossly incompetent.” And as an administrator in one urban district described, even a principal’s work may not translate into action if the district does not follow through:

It’s very difficult to remove someone right now. It’s very difficult, almost impossible. This year I documented a teacher where we probably have about an inch and a half stack of documentation on her, and I’m anxious to see if they’re going to transfer her out. . . . I’m anxious to see whether or not the district is going to follow through. . . . In my opinion the district is not doing what they need to do to keep the best people that they have and to get rid of the people that are not performing. At this point principals need to do major backflips to get someone even transferred out. And, if they’re transferred out, they become someone else’s problem. In other words, they’re not put out of the system. . . . I think it’s a district choice.

A principal in another district opted for a shorter version:

To make a long story short, half our teachers have tenure and once you get tenure, short of killing someone, you can’t be fired. That’s somewhat of an exaggeration, but that’s the gist of it.

Our interviews indicate that at least two of our study districts have moved to a system in which teachers are not tenured until after their first two years on the job. Principals can recommend that a teacher in his or her first two years of service not be rehired by providing one year of documentation rather than the standard three years required for a tenured teacher. A human resource representative said this special provision makes it “easy to non-renew non-tenured teachers.”

Providing some commentary on principals’ complaints about lack of control over staffing, a human resource representative acknowledged that principals could do a better job of using the contract to control absenteeism, eliminate sick leave abuses, complete observations required for teacher interventions, and document the superior credentials of junior teachers so they may be hired in lieu of more senior teachers. As noted earlier in the section on principal capacity and motivation, there are many reasons other than the constraints imposed by the contract why principals may not act in human resource matters, including the following:

- they do not understand this element of their job;
- they are reticent to confront performance issues; or
- they fear that senior management may view such actions as indicative of poor job performance.

Administrators believe that contract provisions also impact other resource uses. Our interviews yielded a number of other ways in which contract provisions shape resource use in

³² It should be noted that two individuals indicated that it is Ohio’s tenure laws that make it difficult to fire poorly performing teachers.

schools. A principal described the “amazingly complex” schedule required to fulfill teachers’ contractually guaranteed prep periods and “team time,” and another lamented the contractual limitations on longer days or class periods. Class size also came up as a large issue in one of our districts where an initiative to develop an 18:1 average student-to-staff ratio in the primary grades reportedly morphed into contractual language stipulating an “18:1 class size.” This stipulation means that the addition of a handful of students in a school automatically triggers the hiring of instructional aides and/or new teachers. In regard to this requirement, one respondent stated, “[It is] just killing us.” Another added that the requirement poses a real problem for budgeting and staffing given the amount of student mobility in the district.

In the decentralized district, a few respondents described how union control over decisionmaking impacts resource use. According to these interviewees, the union had prevented or slowed the district from implementing a standards in practice (SIP) initiative, an electronic system giving parents greater insight into their children’s academic strengths and weaknesses, and a grant-funded program:

Because unions are so strong in Ohio, the department of education is beginning to say, “Any time we give a district money, the union has to sign off because it’s a waste of time if you give a district money or a grant and then their union pushes back.”

Last, but certainly not least, as detailed in the earlier section on teacher incentives, contract provisions and union resistance impede the use of teacher incentives, such as pay-for-performance plans, in our three urban districts.

Community and Local Business Support

In addition to being influenced by the accountability system and the teachers union, the districts we visited in Ohio are also keenly aware of the influence of community and local business support, especially with regard to their passing levies to maintain funding.³³ The need for approval is particularly acute in the three urban districts, which are attempting to overcome a long history of negative public perceptions, resulting from a myriad of factors including poor student performance and misuse of public funds.

For example, respondents in District One noted that their most recent levy failed and that the district has not passed a levy since 1996. The district financial officer commented on the importance of community perception in passing levies:

Are you spending the money right? Are you doing what you’re supposed to do financially? At the end of the day, it’s a billion dollar organization. You figure \$600 million dollars of revenue. That’s huge, and folks want to make sure it’s not being wasted.

However, other district officials indicated that the last levy did not pass because people just could not afford more taxes.³⁴ In this climate, the superintendent noted the importance of building relationships with key community and business leaders and seeking alternative funding for the district’s initiatives. Similarly, District Four has not passed an operating levy since 1992,

³³ For a discussion of the role of levies in Ohio school funding, please see appendix B, beginning on pg. 99.

³⁴ For a detailed discussion of the economic climate in Ohio, see appendix B, beginning on pg. 124.

and respondents noted the importance of being responsible to taxpayers so they could pass construction levies and take advantage of state construction matching funds.

While not in financial crisis, our other three study districts also acknowledged the importance of community support. In the small rural district, interviewees noted that they had been able to pass operating and capital improvement levies by going door-to-door and rallying the support of the community. And even in the wealthy district, we heard about the importance of community support for levies. Respondents observed that they have to keep performance high and be able to defend spending decisions to the public to pass levies. In addition, this wealthy district hired a public relations firm to help them garner community support for the most recent levy. Finally, during our visit, District Three was in the process of “right-sizing” the district. While district respondents did not explicitly state that these actions were associated with being responsible to the public and being able to pass upcoming levies, this is a reasonable conclusion given the fact that the district was not in financial crisis.

Charter Competition and Support Requirements

As discussed in more detail in appendix B of this report, charter schools and other choice policies play a major role in education in Ohio, especially in several large urban districts with significant charter and choice enrollments. Specifically, in many of these areas traditional public schools and districts compete for students and the funding that accompanies them. In such an atmosphere, one might expect perceptions from both sides to be somewhat biased and, in some instances, inaccurate. For this report, we did not interview charter school principals. This section presents only the perceptions and claims of traditional school and district administrators regarding the influence of charter schools in Ohio.

Comments from our district and school administrators regarding charter schools were primarily negative. This is not surprising given the current “battle” for students going on between traditional public schools and charters in several urban areas in Ohio. District and school officials claimed that charters are not held to the same accountability standards as traditional public schools and that students go to charters for a time and return to the public schools farther behind.³⁵ They also complained that providing administrative services such as transportation for charter schools is difficult because of the constantly changing charter school enrollments and poor state information regarding charter school attendance.³⁶

Embedded in these and other criticisms of charter schools is an important finding: that charter schools are a force in many communities in Ohio and that traditional schools and districts are beginning to understand that they must compete with the charter schools. As one subject noted:

³⁵ It should be noted that charter schools are subject to the same federal and state accountability requirements as traditional public schools. On the other hand, during the time of our interviews, Ohio’s charter school law contained loopholes in oversight, allowed over 70 government and private agencies to authorize new charters, and it included financial incentives that encouraged sponsors to let poorly-performing schools stay open (Dillon 2007). Since the time of our interviews, Ohio has sought to improve charter school accountability and oversight by enacting legislation that (1) required ODE to adopt rules defining reasonable academic gains in reading and math for students in charter schools and imposed certain sanctions for failure to achieve reasonable gains, (2) increased requirements for charter school sponsors, and (3) stipulated that value-added performance measures and state ratings must be used to determine which charter schools to close (Office of Community Schools of the Ohio Department of Education 2007).

³⁶ Ohio school districts are responsible for transporting students in their district to charters.

[In the superintendent's] convocation speech, he basically told them [the district's teachers] that you are competing for your job. He spoke to them in a way that I don't think any superintendent in the history of the [District Four] Public School System had spoken to them. And he basically said, "If you don't get better at servicing your students, you're going to lose them, and, in the process, you lose your job."

According to our interviews, this competition from charters impacts district operations in the large urban districts we visited. A specific example of how charter schools influence resource decisions was provided by District Three. This district indicated that they would like to close some very small schools and move the students in those buildings to other schools to maximize resources. However, when they close such small schools, charter schools take their place. These charter schools are attractive to families formerly attending the small traditional public schools because of their close proximity. So, if District Three takes such actions to reduce costs and improve efficiency, they lose students and subsequently lose funding associated with those students, potentially negating the cost savings achieved.

This section has described environmental barriers and supports to improving student performance. In the next section we examine the funding system in Ohio and how it, in turn, both supports and restricts improvement efforts.

System Funding—Adequacy, Equity, and Regulatory Restrictions

Study participants had a great deal to say about the funding system in Ohio. Most prominently, they indicated that education funding in Ohio is simply not sufficient to accomplish the goals established through state and federal accountability systems. Across the board, respondents indicated that Ohio's education funding system is inadequate, inequitable, and unconstitutional, with education funding being overly reliant on local property taxes. Local administrators noted that courts had deemed the funding system unconstitutional several times, and these same respondents expressed the opinion that the legislature had failed to properly address the adequacy/equity issues. They also pointed out that specific aspects of the funding system, such as the phantom revenue and House Bill (HB) 920 limitations create unstable, not just insufficient, revenue.³⁷

Our interviews also indicate that steady or declining education budgets, created by the intersection of relatively stagnant state funding, poor economic conditions, and levy failures, have resulted in district cost-cutting measures including both typical actions, such as layoffs and school closures, and more innovative changes aimed at improving the efficiency and effectiveness of education spending. District and school leaders discussed the importance of

³⁷ In 1975, the legislature enacted HB 920, which limited the revenue from a voted millage to the amount that the initial levy was to yield on all real property (residential, agricultural, industrial, and public utility real property). Therefore, on the average, as property values increase, the millage is reduced, resulting in flat revenues for school districts regardless of increasing expenditures. An additional interesting by-product of the interaction between this law and the state finance formula is that as property values are reassessed and subsequently increase, state basic aid will decrease. However, local revenues on average only increase after the passage of new levies. Therefore, not only do local revenues remain flat between levy passage, but the amount of state funding a district receives decreases each time property values are assessed, if the average property values increase. For more information about HB 920 and phantom revenue see appendix B, beginning on pg. 98.

philanthropic and state and federal grant funding to maintaining programs and services, while noting that spending restrictions associated with these funds limit their actions.

Respondents also feel limited by rules and strings attached to state and federal funds, delineating how funds may be used. The supplement/supplant requirements of Title I and II funds, as well as the focus of these funds on younger children, were cited as some such rules. Some respondents also complained about provisions that require that funds and purchases made with them be used only for the children who are eligible for them, as well as restrictions on fund use associated with not meeting NCLB's AYP goals.

Our interviews reveal that administrators feel overwhelmed by the demand on resources for recordkeeping to verify compliance with these rules and provisions. They also indicated that the use of loopholes and waivers to get around such rules appears to vary among individuals. Some respondents indicated that they are willing to use loopholes and waivers, even bending the rules somewhat, some are simply unaware that waivers exist, and others are unwilling to use them or to risk bending the rules in any way.

The following sections discuss these system funding issues in greater detail.

Amount and Distribution of Money in the System

In general, respondents seemed to indicate that the amount of resources in the system is not sufficient to accomplish the goals that have been established by state and federal accountability systems. Across the board in District One, respondents expressed the belief that resources are not sufficient. In another urban district, study participants indicated that they rely heavily on philanthropic grants and state and federal funding to provide educational programs and improve instruction. In the decentralized urban district, views on resource sufficiency were mixed. Some respondents indicated that they have sufficient funds, but that they spend them inefficiently on an expensive workforce and small classes. District officials who indicated they had sufficient resources also noted the importance of nonmonetary factors:

I'm not one who believes that money is really what will make all of the difference in the work that we have to do. And that's not to say we don't need money. But I think there are some other things that have to be [in place]—attitudes, expectations, beliefs, and highly qualified and competent people.

"Are the resources necessarily aligned to the actions that we need to take, that have to happen, in order to improve student achievement?" That's the piece that may be missing. So, "Do we have the right people in the right seats doing the right things?" That's a bigger question in my mind, and, to be quite honest with you, in many instances student achievement doesn't come down to how much money you have.

On the other hand, a few respondents in this district did not feel resources are sufficient. The rural district indicated that they "are getting it done," but that success has resulted primarily from the actions of a very dedicated workforce who go above and beyond typical expectations. As a point of contrast, most respondents in the suburban district feel the money in the system is adequate, but even they note that if levies do not pass regularly or if a big company leaves the district, they might not have sufficient resources.

While the majority of respondents, with the exception of the wealthy suburban district, indicated that funding in the system is not sufficient to accomplish the goals that have been set, respondents in the three districts with the least property wealth per capita noted that Ohio's School Construction Fund has significantly improved the condition of school buildings in their districts.³⁸

Administrators feel that state funding is inadequate, inequitable, and unconstitutional; education funding relies too heavily on local property taxes. In the urban and rural districts, respondents complained (1) that the funding system had been deemed unconstitutional several times and that the legislature had failed to remedy its flaws;³⁹ (2) that the system did not provide adequate resources to districts, with respondents specifically mentioning the reduction in funding resulting from the elimination of the tangible property tax and the cost of doing business factor, the reallocation of resources to charter schools, and the limitations on state education expenditures associated with residual budgeting; and (3) that the system is inequitable, relying too heavily on local property taxes and local wealth.^{40, 41}

Study districts also seem to struggle with the tax limitations imposed by House Bill 920 and phantom revenue. In the urban and rural districts, we heard many complaints about how the interaction of phantom revenue and HB 920 force districts to continually seek voter approval of new tax rates just to maintain a constant level of funding. Two low-wealth districts actually face declining real revenues because they have been unable to pass new levy rates (one urban district had not passed a levy since 1992), and the districts that are able to pass levies indicate that ensuring passage is time consuming and detracts from the task of educating students. Respondents in the suburban district also acknowledge that, even in their relatively wealthy community, continually seeking voter approval of new levy rates just to maintain a constant level of funding is difficult.

In addition to complaints about adequacy, constitutionality, and equity, respondents also identified the following concerns regarding the current funding system:

- **Special education:** State and federal laws require certain supports for special education students; however, wealthy districts reportedly receive very little or no state funding for special education because the amount of state special education funding a district receives is inversely proportional to the wealth of the district. In addition, federal funding does not cover the cost of these requirements.
- **Charter schools:** The state reportedly underfunds charter schools, resulting in two underfunded systems. Because of Ohio's charter schools and open enrollment laws, average daily membership numbers and the associated state revenues

³⁸ Districts with the least property wealth benefit the most from the Rebuilding Ohio's School Initiative. For a more detailed discussion of this initiative, see appendix B, beginning on pg. 108.

³⁹ For detailed information on the various education finance court proceedings in Ohio and legislative responses, see appendix B, beginning on pg. 108.

⁴⁰ However, study participants in the suburban district are not in favor of having the resources in their district reallocated to less wealthy districts, noting that the superintendent actively works to ensure that local tax dollars stay in the district.

⁴¹ In addition, while the state provides the difference between what districts can raise locally (at a minimum tax rate or effort) and a foundation amount, many districts levy additional mills to provide educational programs to their students. Therefore, local revenues are an important factor in education in Ohio. For a detailed discussion of education revenue and levy rates in Ohio, see appendix B, beginning on pg. 99.

change from year to year, making budgeting at the district level difficult. Additionally, if students leave the traditional public school for charters and then return after the average daily membership count date, the district does not receive any funds for those students.

- Transportation: The state reportedly does not pay the full cost of transportation.

Insufficient resources and budget factors have reportedly led to traditional cost-cutting measures, but also to some unique practices. Study respondents indicated that state funding is unstable, inequitable, and inadequate and other budget factors strain district operations—they specifically mentioned reductions in enrollment resulting in declining state revenues, declining property values resulting in reduced tax revenues, increasing costs of health insurance, and unfunded mandates associated with NCLB. As a result, districts have had to lay off teachers, close schools, and reduce intervention and non-core activities. Administrators in one of the urban districts discussed cutting 1,400 positions and closing a number of schools. While most respondents indicated that these cuts were made as far from the classroom as possible, by cutting central office and school administrative staff, they also noted that these position reductions and other cost-cutting measures resulted in larger class sizes, fewer tutoring and after-school services, and a reduction in coaching and professional development activities.

Another urban district, while not in financial crisis at the time of our interviews, instituted a retirement buyout plan in order to right-size and reduce costs in the district. The third urban district managed to avoid budget deficits through attrition. While respondents in the wealthy suburban district noted that they have been able to avoid cutting staff or closing schools, they nevertheless instituted cost-cutting measures such as reducing travel, reducing electricity usage, minimizing material and technology purchases, and not replacing retiring staff.

In addition to traditional cost-cutting measures, some respondents provided more innovative examples of activities designed to make the education dollar go farther. According to our interviews, the rural district is providing virtual classes and sharing classes with other nearby high schools, thereby reducing labor costs while maintaining or expanding curricular offerings. Administrators in this district also mentioned participating in a county-wide health insurance consortium, which results in reduced health care costs. Finally, the school food service in this district reportedly caters local events, which generates sufficient revenue to negate the typical need for supplemental local resources to fund the school lunch program. In one of the urban districts, the chief operations officer discussed trying to cut operations costs so that more resources could be spent on learning; specifically, he mentioned saving a great deal of money on cell phones by negotiating a district-wide rate with unlimited minutes. In another urban district, the board president mentioned the idea of having two small schools share one effective principal.

Districts reportedly rely on other sources of funding to support educational activities. Our interviews indicate that funding constraints also force districts to rely on federal and state grants and philanthropic funds to pay for a variety of activities. These activities include student interventions (e.g., tutoring, after school programs, social services), teacher coaches and other professional development, non-core activities (e.g., African American literature and music, parent involvement), classroom materials, and extracurricular activities like sports and field trips. Districts also claimed to use grant money for class size reduction and technology. Although some respondents mentioned that philanthropic funding has decreased with the faltering

economy, they noted that these funds are still critical for the work that they do. As one district official stated:

[Theoretically] your grant dollars are your over and above—they're like icing on the cake. But in reality, I think probably [that in] any school district in the country you talk to, they're not. If we lost our grant dollars we'd be pretty crippled.

And while districts may rely on these resources to support important instructional activities, the stipulations in some grants may not lead to the most efficient spending. According to one respondent:

There are particular criteria that you need to meet in order to even apply for state grants, so therefore there's a certain box that you put yourself in order to access those dollars. And you need to stay in that box in order to meet the conditions of that grant. Many times that may not directly fit what our academic outlook is in terms of the program offerings we want to offer, or it's tangential but it's really not core to what we're doing. But it's another pot of dollars that somehow we can . . . try and be creative and get in there to help our kids, and we'll do it.

Given district reliance on grant funding, it is no surprise that respondents discussed the difficulties associated with unstable and non-sustainable grant funding. For example, when grants run out or the grant period ends, districts must either find funds or in-kind services to maintain programs, or they must reduce or eliminate services. Interviewees noted that it is often difficult to reduce funding for programs while still maintaining their effectiveness and that the public expects programs to be maintained and even grow over time. Two respondents noted that when a district or school is not doing well, it is able to get grants. But once performance improves, the grants end, while many of the student needs remain. Another subject noted that they often pass on grants that require sustainability in funding because they cannot meet this requirement.

Regulations and Restrictions on Spending

When asked if there are regulations or restrictions (strings) on spending that hinder their activities, most respondents indicated they are constrained and provided examples of such constraints, as detailed below. However, some respondents indicated that rules and strings do not hinder their actions: one of these respondents indicated that rules hold them accountable and help them improve student achievement; another noted that rules keep them from inappropriately using education resources; and another indicated that rules promote and enhance their ability to do the job.

Spending restrictions in state rules and grant provisions limit administrators' actions. Several respondents noted that federal requirements of Title I and II, especially the supplement/supplant requirements,⁴² constrain their actions. Subjects noted that it is difficult to supplement when you have class size limits of 18 or when you have no extra staff. According to others, regulations stipulate that Title I professional development funding must be used to help

⁴² Under the federal “supplement not supplant” requirement, states and school districts may use federal funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the federal funds, be made available from non-federal sources for the education of participating students. In no case may a school district use federal program funds to supplant—take the place of—funds from non-federal sources.

teachers become “highly qualified,” resulting in unusable funds if all teachers are already “highly qualified” or excessive spending on the few teachers who are not “highly qualified.” Another respondent noted that computers purchased with Title I funds cannot be used for kids who do not meet the Title I poverty criteria. According to one respondent, the restrictions on spending special education funds only on special education students, preschool funds on preschool students, and ELL funds on ELL students limit his actions

In addition to these constraints, the following specific spending restrictions were also noted:

- inability to use Title I money to transport kids to their original school when their families move midyear;
- limits on the use of intervention dollars to students in certain grades and prohibitions on the use of such funds for materials;
- short grant periods that require spending without sufficient planning, long grant periods that require planning and replanning, and fiscal year grant periods that do not allow spending when most appropriate or efficient; and
- state laws requiring spending per the proposal and requiring return instead of reallocation of unspent funds.

Our interviews also indicate some concern regarding the loss of control of Title I funds due to NCLB provisions. Two respondents noted that schools that do not meet AYP have to do more professional development and have to divert resources from other uses to support supplemental services.

One respondent seemed to capture the desire of many:

Let us do what we need to do so that we can produce what we feel we can produce. Don't put one hand behind our back and then tell us that, "You didn't do that."

Reporting, recordkeeping, and compliance consume valuable time. According to district and school leaders, reporting, recordkeeping, and compliance requirements take time away from educational activities. One district treasurer discussed the time required to ensure that spending and recordkeeping comply with the Ohio Revised Code, to certify revenue amounts and fund spending, and to brief and obtain approval from the county for every change in the budget. He noted that the alternative is facing an unfavorable audit, which can affect the grants that a district is eligible for in the future. An academic officer indicated that teachers spend a lot of time collecting data for reporting, recordkeeping, and compliance, and a district operations officer indicated that he spent probably six hours per week ensuring and documenting compliance with the stipulations of a single large grant. Also, while a district academic officer mentioned that they had been able to at times combine funds to accomplish their goals, he noted that such combining required that they comply with the reporting requirements of each funding source.

Use of waivers and loopholes appears to vary considerably. When we asked the respondents who had indicated that state, federal, or other rules constrain their activities whether there were waivers or other ways around these constraints, we received a variety of responses. Several district and school leaders simply indicated that there were no waivers or means to work around these rules. Others reported that they were relatively new in their positions and were either unwilling to bend the rules or seek waivers or had not yet learned how to do so. Other

responses reflect a compliance mentality, equating waivers or other loopholes with noncompliance and potential audit threat. However, several respondents noted a willingness to obtain waivers or find loopholes to accomplish their goals. Such responses ranged from people who talked about obtaining formal waivers for things like NCLB's "highly qualified" requirement to those who engaged in a detailed or possibly creative reading of the rules. Two respondents mentioned trying to secure unrestricted moneys from other sources to get around federal, state, or grant requirements.

Based on our interviews, it appears that it is often difficult to get around federal regulations, although maintaining a good recordkeeping system sometimes makes it possible. Also, it appears that it is easier to work with the state of Ohio than the federal government, and it is easier to find ways around state regulations than federal regulations.

Desired Changes

During the course of our interviews, we asked respondents about the changes they would make to the system in which they work if they could. Their responses paint a picture of what district administrators and school principals see as the most salient areas for change within the school finance system.

Not surprisingly, many respondents indicated that they would like "more money" or listed specific purchases they would make if they had more money. Increased staff and more professional development for staff, improved facilities, and better data were all listed as desired resources. Many respondents also wish for changes to the current system that are not related to the amount of money in the system, including changes to financial mechanisms such as the high reliance on property taxes to fund education, the way resources are distributed to schools, and better tracking of expenditures.

Respondents also expressed a desire for changes to decisionmaking, such as the level of centralization of certain decisions in their districts. They wish for perceived constraints to be lifted, especially with regard to their ability to hire teachers of their choosing and assign them to schools and classes according to need. Taken together, these responses indicate that while fiscal shortage may be a significant constraint under which our respondents labor, they also feel significantly hampered by nonfiscal constraints.

The following sections detail these desired changes in greater detail.

Increase in the Amount of Resources

I: What would you change about the way the district is using resources, if you could?

R: Well, well, well. I would want some more (laughs).

For some, the primary change needed in the finance system is for more resources to be available. Respondents in all but our wealthy, high-performing district indicated a desire for more money to purchase staff, facilities, and services.

Some administrators believe more teachers and professional staff are needed to achieve student performance goals. Some respondents would like additional funds to purchase teachers or reduce class size as a means to reach their performance goals. Several of our districts have recently experienced budget cuts, and, in these districts, respondents mentioned their desire to

reacquire teachers they had lost. One subject also specifically mentioned the desire to reduce class size. In addition to teachers, respondents would like more resources to purchase professional staff. Most commonly they mentioned the need for teacher coaches, math and English Language Acquisition (ELA) developers, fulltime nurses and counselors, additional tutors, and technology specialists.

In some districts, administrators perceive that new facilities and supplies are the most pressing need. Respondents also wish for new school buildings, updated technology, and better textbooks and materials. In District One, a respondent explained that even though some buildings may be closed within a few years (due to declining enrollment), students should have an updated environment in which to learn; this respondent equated providing quality facilities with showing children that “big people care about [them].” In several districts, respondents noted a desire for updated computers for teachers and laptops for classroom use. Respondents also mentioned wanting textbooks to be updated on a “regular cycle.”

Administrators expressed a desire for funding for prekindergarten, professional development, and other supports. Respondents listed myriad other ways that they would spend additional funds. Several interviewees stated that they would like better prekindergarten services to prepare students for learning, and still others would like additional funds to direct toward professional development for teachers and administrators. In the financially strapped urban district, one respondent wishes to “have back some of what was lost.” In particular, he wants to re-implement both Sylvan, a literacy program, and Lifespan, a program that provides counseling and services to families. One building principal and one union representative also expressed the desire for more pay for teachers: the building principal wishes he could pay teachers overtime when they work late, and the union representative wishes for higher salaries across the board. Interestingly, only one respondent indicated that with additional funds she would like to sponsor a pay-for-performance plan to acknowledge teachers who do well.⁴³

Better Data to Support Decisionmaking

Several other respondents feel that access to more frequent and detailed data would allow them to improve resource use in the service of achievement. They gave two reasons for this. First, principals stated that it is much easier to have productive conversations with teachers when hard data is available because the conversations are not simply “speculative.” Second, administrators feel that data allows them to steer funds towards the programs that work best and eliminate those that do not. One academic officer, for instance, wants to know which five of the ten largest programs in the district are generating the most performance, and then direct funds exclusively to those while shutting down the remaining five. As an aside, a respondent added that data is not helpful unless it is accompanied by time; people want to see quick results, but this informant feels that it can take a while for programs and monitoring data to demonstrate impacts.

Changes to Financial Mechanisms

As previously discussed, many respondents would make changes to the system in the form of increased fiscal and other resources. Yet many others complained that the problem was not

⁴³ As discussed earlier, while many administrators appear to support incentive programs for teachers, resistance to these programs among teachers is extremely high and implementing such programs simply may not be viewed as a feasible change.

necessarily the amount of money in the system, but the mechanisms by which it is disbursed either to schools or districts.

Below is a list of areas in which respondents would make changes if they could:

- Reliance on property taxes for school funding. As discussed previously, several respondents complained about an overreliance in Ohio on property taxes to fund schools.
- Disbursement of Title I funds. One principal in our rural district expressed frustration with the way that Title I funds are distributed to schools by the district. This principal feels that Title I funds are primarily earmarked for elementary schools
- Salary schedule that pays core-area teachers and elective teachers equally. In one district, a respondent complained that the salary schedule mandates that physical education teachers be paid the same as core-area teachers, despite the fact that the latter group spends more time preparing and faces more accountability pressures.
- Better tracking and evaluation of expenditures. One superintendent expressed the desire for the district to better track exactly what it spends money on. He pointed out that when items are lumped together, it is difficult to determine if resource expenditures are worthwhile. In another district, a respondent complained that the district does an excellent job of tracking expenditures without examining whether they are effective.
- Focusing resources on schools with the most need. One respondent would prefer that funds in her district were allocated based on low achievement such that the lowest-performing schools and low-performing subgroups within those schools received the majority of district resources.
- Rewarding schools for high performance. A finance officer in our innovative district would like the opposite of the respondent above, stating that the district should be doing a better job of funneling resources towards and rewarding high-performing schools and educational models. This interviewee noted that the Montessori school in the district was doing a particularly good job, but, far from being given additional funding, they actually receive “the least amount of funds.”
- Flexibility of district resources. A building principal in one of the urban districts stated that she would like fewer restrictions on how funds can be used. As an example, she would like to use “extended day” funds differently but the district reportedly closely dictates the parameters of this program.

Changes to Decisionmaking, Contractual Requirements, and District-Union Relationship

When asked about changes they would make if they could, a number of district and building administrators expressed concerns about the decisionmaking process, while others wanted to lift requirements laid out in the teachers union contract. Both building principals and union representatives wish they could improve the quality of the relationship between districts and unions.

Administrators in both the centralized and decentralized districts expressed a desire for changes to the decisionmaking processes they use. Conversations with respondents about the level of centralization of decisionmaking in their districts show that respondents in both centralized districts and our decentralized district have some ambivalence about the locus of decisionmaking in their district. In the one study district that uses a site-based model, district administrators and one building principal feel that some decisions should be centralized so that principals do not have to deal with them. One district administrator indicated that because individual principal personality played such a significant role in school-based decisions, the district should set more specific expectations for what schools should be providing:

There are a lot of things that should not depend on the school to choose to fund or not. There should be some consistency across the board. . . . I would take a look at the entirety of student-based funding. I think there should be some level of expectations and some level of service where we say, "This . . . is what your organization should look like, and here are the things that you can move around if you think you need that discretion in funding." . . . would we ever allow a school to drill its own well for drinking water? No. That would be ridiculous because we want to make sure that the supply is safe and clean and healthy and tested and all that stuff. But . . . [we do not say] . . . "This is what we need to do in order to make sure that we're having the quality that we really want or the remediation that we want." And we leave so much of this up to personality instead of process that it is not conducive to being successful to most of our schools.

Another building principal indicated that the district should look at each school individually, assess where shortages are, and offer, for example, "a music teacher to really make things equitable." Another problem with site-based budgeting was reported by a different principal who wishes for more training in how to create a budget.

In some of our other more centralized study districts, a few respondents suggested that they would like to see principals have more control over how resources are used within the school. In our rural district, one respondent said that he would like to have principals work up a budget, setting school goals, showing what they would like to do with their money, and indicating how they will know when they have reached their goals. He would like to see more site-based management because principals are subject to accountability standards at the building level. In one of our urban districts, a respondent indicated that she would also like to move toward a site-based budgeting model, but noted that this is a "double-edged sword" for principals, as it takes so much of their time. If the district were to move in this direction, she noted, it would be important to provide principals with a budget manager.

Building principals want the ability to hire teachers of their choosing. Several building principals in multiple urban districts wish they could have more control over hiring teachers. Two building principals had experienced staff layoffs and found that they lost teachers they valued, only to have them replaced via seniority hiring rules with teachers they like less. One of these principals said his wish would be to hire back all of the "new, young, energetic" teachers that he lost. Another principal echoed this sentiment explaining that teacher quality "matters more than anything." He continued, "If you've got somebody who knows their content, can relate to kids, and has passion for the job, you can do anything."

Both building principals and district administrators expressed a desire for more flexibility in determining work hours and in assigning staff to buildings and classrooms. In addition to hiring teachers, respondents wish for more flexibility in their ability to dictate work hours. One principal would like to extend the school day to 4:30 every day and move to a year-round school model with quarterly breaks. In another district, a principal expressed a desire for more flexibility in conducting professional development, noting that the contract only allows for meetings during certain times. She also would like to build into the school-day schedule early- and late-starts and experiment with organizing the school day differently—allowing for more time in tested areas.

Respondents also wish for more flexibility in assigning staff to positions. In cash-strapped District One, a district official lamented that he lacks the ability to move good teachers out of their “cushy” jobs into jobs where they are needed (i.e., in lower-performing schools and hard-to-staff subject areas).

Some administrators report wanting more collaboration with the union. Some respondents also expressed a desire to improve the relationship between the union and the district. In one urban district, a district official wishes that the district and union could “sit and be able to truly make changes that are necessary.” Ideally, he would like to get to a place where both union and district are asking, “What makes sense for our children? Period.” Another district administrator compared Ohio with other states, noting that his contemporaries in non-union states claim to have an “easier time.” He stated that in a union state you “may not get to where you want to be on the most concise and direct line.”

Concluding Thoughts on District- and School-Level Perspectives

Based on our interviews it appears that performance pressure through new accountability standards is directing practitioner attention to student performance, refocusing school and district administrators’ attention and dollars on strategies they believe will help more children succeed at a higher level, such as: quality professional development; curricula aligned with standards; and the achievement of historically neglected and disadvantaged students. However, student demographics, a significant portion of which are associated with poverty, pose formidable challenges to the mandate to “leave no child behind.” And many reforms and interventions are taking place on the margins of education spending with grants or philanthropic funds, which generally represent a small and often temporary portion of education spending.

Second, while our interviews indicate substantial local progress with regard to various education reform initiatives and aligning decisionmaking and resource allocation and use with state achievement goals, districts and schools still face formidable constraints to such improvement. Educational reforms appear to have been implemented in spite of, rather than in concert with, education finance reforms. Interviewees discussed ways that the finance system constrains reform efforts, pointing specifically to an overreliance on local property taxes and the implications of HB 920 and phantom revenue, which together result in inequitable distribution of resources, unstable revenue generation, and, in some cases, inadequate resources. Respondents’ concerns regarding the distribution of education funding in Ohio are supported by equity

measures for the state and nation in the 2008 Quality Counts report, where Ohio performs below the national average on a number of equity measures⁴⁴ (*Education Week* 2008).

Several other complaints elicited in our interviews point to the influence of unions and collective bargaining contracts in resource allocation and use:

- While younger, newer teachers are more open to using data, learning new methods of teaching, and being held accountable for their students' performance than teachers who had been in the system for many years, union seniority rules favor older teachers.
- The use of teacher incentives tied to performance remains relatively unexplored, largely because of resistance from unions and teachers.
- Union contract provisions restrict the hiring and placement of quality staff, render dismissals very burdensome, and limit districts' abilities to adopt performance-improvement and time-reorganization strategies they believe would improve student performance.

While respondents in our study district are making progress in evaluating and identifying effective resource use, they are only beginning to gain a precise understanding of the concept of "effective resource use" as the effective resource use as the optimization of *all* possible educational expenditures to maximize student performance for a given cost. In addition, local actors are constrained in their efforts to improve resource decisionmaking by a historical focus on compliance, a perception that salary resources are immutable, segmented funding and a lack of tools, information, an external supports.

As a set, our district-level interviews suggest an additional key finding. While respondents noted that they are attempting to solve individual problems, each such problem may be more complex when it is viewed as one issue embedded in a larger array of problems. Underprepared students may benefit from programs designed to deliver extra hours of instruction, for instance, but this solution will be more difficult to implement in an environment in which the influx of such children is growing and unpredictable or where the teachers may not have the skills or knowledge to provide adequate instruction. The challenges administrators face in meeting standards may span several aspects of the system, and effective solutions are likely to require a broad field of vision.

We now turn to the state-level interviews in Ohio.

State-Level Perspectives on the School Finance System

As detailed in appendix B, Ohio state officials have been working on reforming various features of the state's education system for the past decade. During our interviews, Ohio State officials provided various examples of how the state is working to further improve the education system. However, despite the substantial work associated with education reform, state officials corroborated what we heard at the local level regarding education finance: essentially that the state has failed to substantially address the equity, adequacy, and stability issues inherent in the education finance system. The following section presents interviewees' views on the current

⁴⁴ For additional information on these measures, see appendix B, beginning on pg. 113.

political context of school finance and the effects of performance pressures on state and district operations.

Impact of Accountability and Performance Pressures

Accountability measures in Ohio appear to have had an effect on the way state-level officials think about resource use. Similar to what we found at the district level, state-level interviewees believe that various accountability system components, including state standards, assessments, and performance data, have forced districts and schools, to pay more attention to the effects of their decisions on student performance. As a result, they noted a shift in focus at the district level toward the lowest-performing student populations. They also discussed numerous strategies, driven by accountability concerns, that are being used at the local level to improve student performance.⁴⁵ Despite these changes, some state-level officials expressed concern that local resource allocation does not effectively support these reforms and that districts are struggling with allocating their resources strategically.

At the state level, policymakers feel they are improving their use of data to determine where to target resources and have also begun to examine the unintended consequences of providing targeted and restricted resources, such as the limitations on using funds flexibly and the recordkeeping and reporting burdens they place on districts. To better understand whether resources are being used effectively, the state reportedly partnered with Battelle for Kids to develop a system to provide value-added analyses to administrators and educators. Our interviews indicate that they are also trying to identify best practices by analyzing whether state-level expenditures are effective and examining the practices of traditionally low-performing schools that have improved performance. Finally, to improve the quality of state- and district-level leadership, state policymakers indicate that they are trying to support efforts to improve teacher and administrator preparation programs.

The following sections discuss in more detail the effects of accountability and attempts to improve strategic use of resources at the state level.

New Awareness/Practices Exist at the Local Level, but Work Remains

Education performance pressures are not new in Ohio, where administrators and policymakers began implementing standards-based reform measures even before the federal NCLB program was enacted. The state officials we spoke with all believe that these demands for better performance have positively affected education reform in Ohio. One of the main effects of the increased emphasis on accountability identified by state officials was a much stronger focus on low-performing students. A second identified main effect is the use of standards and performance to measure progress and identify and address weaknesses. According to our interviewees, superintendents can look across schools to determine staff weakness and opportunities for collegial learning and to identify clear performance targets for which principals can be held accountable. However, implementation of performance-improvement initiatives has not been perfect or seamless. One state official noted that much of this improvement work must occur at the school and district levels where “the nature of the district’s structure or its culture are huge factors that impact the effectiveness of data use.”

⁴⁵ These efforts are detailed by district-level officials in the section above entitled *District- and School-Level Perspectives on the School Finance System in Ohio*, beginning on pg. 16.

While local administrators have responded to performance pressures with changes to curriculum, teaching practices and professional development,⁴⁶ some state officials feel that the local resource decisionmaking does not currently link resource allocation with student performance very well and that improvements must be made if Ohio students are to meet the performance expectations set for them. Some state representatives claimed that strategic planning and spending are particularly lacking at the local level, where superintendents “are just really now understanding that they can drive their dollars toward specific student achievement goals.” One respondent stated that districts fail to assess the impact of programs, viewing budget cuts solely in terms of programs lost with no attempt to determine what sort of an effect the programs had on student performance. One official indicated the state should require schools and districts to show—in a data-based rather than anecdotal way—the relationship between investments and school improvement. He claimed that more experimentation is needed and thus that schools and districts should not be penalized if they don’t make gains, but noted that:

They ought to at least be required to say why they think they didn’t make it and what they are planning on doing about it, so they’ve at least got some kind of an auditable trail, not only in terms of money, but in terms of performance.

Another state official offered a telling opinion of current resource use by painting a hypothetical scenario:

Let’s say that all of a sudden there’s new money. Are we really equipped to deliver the result that people would expect for that? Can I say, “I’m going to take Ohio’s NAEP scores from 250 and get them up to 450?” Can I do that? I don’t think the answer is yes.

Officials cited two system-embedded explanations for the lack of strategic links between resources and spending:⁴⁷ the complexity of funding streams and “disjointed” distribution systems which impede the development of shared visions and aligned expenditures across administrative units.

Several Steps Have Been Taken by the State to Improve Strategic Use of Resources

State-level respondents told us that resources are being used more strategically. They are beginning to use standards and data to align resources with goals, examining the consequences of multiple funding streams, and implementing value-added and return on investment analyses. They also reported focusing on examining successful schools to identify best practices, raising the capacity of key district players, and recognizing the importance of nonfinancial ingredients for success. In addition to the reform efforts noted in our interviews, Ohio State officials have also implemented various education reforms over the last several decades, as discussed in detail in appendix B.

State officials discuss using standards and data to align resources with goals. State officials feel that the links between resources and achievement are growing stronger, and most pointed to the increasingly widespread use of standards and data as key mechanisms supporting this coupling. State-level employees discussed several ways in which clear standards and performance data were informing their resource decisions and helping them to direct funds

⁴⁶ Many of these changes are detailed in the “district-level perspectives” section of this report.

⁴⁷ Other constraints that sit outside of basic funding mechanisms—such as union proscriptions and local school cultures—are detailed towards the end of this section.

towards identified goals. Several also attributed recent performance gains to the creation and dissemination of state-wide standards and data that revealed weaknesses in schools and classrooms and shaped professional development decisions.

State officials require improvement plans and are examining the consequences of multiple funding streams and reporting requirements. The state is also trying to support more aligned spending at the district level. Schools with a “school improvement” designation must submit online continuous improvement plans in which they detail how resources will be used to support their objectives. This reporting allows the state to holistically examine a school’s funding and reporting activities to see whether usage and reporting requirements associated with different “pots of dollars” are causing difficulties and conflicts, as one respondent described:

What resources are we giving to them? When they are getting individual pots of dollars, to what extent are the individual pots saying the same thing, requiring the same things? Even on something as simple as reporting, which we know lots of administrators and teachers don’t even have time for, how much data burden do we put on them? Do we even have competing agendas within our grant requirement? So it’s important here at the state department that the individual offices and “pots of dollars managers” talk to one another and think strategically about who’s getting the dollars, what’s being required, what really is the focus of the funds, because schools and districts that are successful seem to be able to align those pots of dollars well at the local level. But are we contributing to the alignment, or are we hindering the alignment? And that’s the question we’re asking ourselves.

Together, our interviews surfaced an interesting tension surrounding targeted funding and reporting requirements. On the one hand, state board focus groups and surveys have indicated that citizens like targeted funding. On the other hand, targeted funding can make it difficult to align spending with priorities, give rise to absurd practices, and generate onerous reporting requirements. In response, the state is “starting to get really reflective, self-reflective about how these structures sometimes generate . . . unintentional consequences.” According to one respondent, the state decided—in consultation with the governor’s office—not to pursue National Governors Association dollars because of the limited flexibility attached to their use. As this respondent explained:

It’s no criticism of NGA. Like I said, we were very excited about the money and excited about the opportunities. But when we really looked at what we needed to do next, it didn’t fit squarely in the box of how NGA had structured those particular funds, so we just opted out. We thought that it might create . . . unintentional problems . . . [we’re] looking for different funds elsewhere and trying to be proactive on our end.

State officials are implementing value-added and return-on-investment analyses. Ohio officials have been working with Battelle for Kids for several years to develop a value-added component to measures of student achievement that tap schools’ impacts on students’ academic skills. Recently, the state passed two pieces of legislation in support of this program. The first requires value-added assessments to be included in the school and district report cards by 2007-

2008. The second mandates that college-level teacher education programs incorporate training in value-added analysis into their programs.⁴⁸

The value-added program allows administrators and educators to examine longitudinal student performance data by district, school, student, and grade level in a web-based application. Although we were told that the department of education was resistant to the program at first, individuals we spoke with were universally excited about the new assessments and consequent opportunities to refine teacher training and practice.

They are hoping the program will:

- restore a focus on students;
- allow educators to track individual student and school progress over time;
- help teachers determine the specific needs of each child; and
- allow the state to identify and reward positive progress in districts whose test scores remain below standards.

In addition to incorporating the value-added program, officials discussed attempts to evaluate the effect or return on investment of certain practices and programs. For example, one official mentioned that a recently convened task force will study the performance impact of prekindergarten expenditures. Another respondent frequently discussed the need for more and better tools which track investments so administrators can both improve resource allocation and create an “auditable trail” of spending. Several officials registered concern that Ohio citizens no longer trust public servants to use their money wisely and noted that better tools would allow state officials to identify inefficiencies and win back public trust.

State officials are examining “schools of success” to identify best practices. Ohio state officials are trying to learn what practices help schools achieve success, and they are particularly interested in those that seem to have helped traditionally underperforming, high-poverty schools. One of the things they have done to better understand these factors is examine approximately 100 State Superintendent Schools of Promise, which are high-poverty, high-achievement schools similar to federal Blue Ribbon schools. State analysts attempted to identify themes common to these schools in terms of how they used their resources differently or more creatively, how leadership differed, and the types of community involvement they had. Some common practices seen across the Schools of Promise include professional development and curriculum aligned with the implementation of a standards-based education, restructured school schedules, and experimentation with weighted-student funding.⁴⁹

Researchers also investigated what district-level mechanisms might be contributing to success, as two particular districts contained an unusually high number of Schools of Promise. They found that many of the districts had specific goals and targets and were deploying resources toward those goals and sharing best practices among schools.⁵⁰

Through the Schools of Promise program, state level officials are seeking the

⁴⁸ In addition, Ohio is one of the eight states piloting the use of value-added data (growth models) for use in meeting NCLB’s AYP requirements.

⁴⁹ For additional information on the Schools of Promise program, see appendix B, beginning on pg. 122.

⁵⁰ While some districts were supportive of schools’ reform efforts, others were not; researchers found that some schools were succeeding in spite of district-level barriers.

practices that help schools perform better regardless of the amount of funding they have. According to our interviews, findings from the study are feeding back into district central offices to inform broader practices, and a state board member is looking more deeply into the data with the goal of informing one of the board's priorities for the year: determining how allocation of resources can be a strategy for school improvement.

State officials are trying to raise the capacity of key players. State officials appear to agree with local leaders that raising the capacity of superintendents, principals, and teachers will be critical for achieving higher levels of student performance. Echoing comments we heard in our district-level interviews, state officials raised concerns about the abilities of some superintendents and principals to handle the financial responsibilities of their jobs in the new performance- and resource-focused climates:

[They need] a serious boot camp . . . as to what resources mean. How do you deploy them? When do you pull them? How does this whole school finance thing work? Pieces of that happen through the associations, but what we don't do is systematically help our principals and superintendents prepare for that on the front end. They stumble on it throughout their careers and they take small professional development workshops to help them understand such things. And part of what needs to happen, I think, is a strong coming together as educators and business people to really get into that, to look at models of what business has done that education can learn from, not replicate necessarily, because they're different environments, but what are the takeaways from that? And how do superintendents and principals need to be looking at these budgets and thinking strategically about how to get from here to there in a way that they can then go back to their business leadership and say, "Help me with this."

There is also agreement that teachers' capacities must be improved if they are to help students achieve standards. Again echoing local concerns, a key official at the state department of education stated that the main challenge for improving performance was to ensure that teachers understand the standards and change their teaching practices to better align instruction with the skills students need to develop. Also reiterating concerns we heard from some local administrators, another state official added that the educational system currently does not have enough teachers with sufficient skills to teach high-level math and science in every district, and that the state has retained a labor economist to examine ways to attract, retain, and compensate math and science teachers. Unfortunately, several state respondents echoed local concerns, noting that no one knows how to ensure that all children teach high standards.

In an effort to improve the training of educational leaders, state officials reported meeting with the deans of local universities to discuss the value of preparation programs and the skills that future leaders are currently not learning. One respondent told us that there was "some acknowledgment" that preparatory programs need to do things differently. However, this may be difficult to accomplish, as schools need to be teaching information and skills that "may not even exist within the education administration programs." A state official reportedly told education program leaders that they should be as concerned about the skills and employability of their graduates as the engineering school is about theirs, but it is not clear that education labor markets provide any incentive to do so.

Finally, state officials also claimed to be thinking about new service delivery mechanisms for both teachers and students, investigating opportunities for electronic learning and distance learning via the use of e-schools, PowerPoint presentations, webcasts, and training CDs.

State officials report thinking about the importance of “intangibles.” Along with these many discussions regarding more effective resource use were several comments about the ingredients for success that money cannot buy. While our interviewees are undoubtedly of the mind that setting standards, improving practices, aligning resources, and increasing the effectiveness of expenditures (i.e., maximizing student performance for a given cost) will help schools generate more student achievement, they also believe that there are a number of important “intangibles” that must be in place for districts to be successful. Some officials are mystified by the “enigma of school leadership,” feeling they can’t “define the specific behaviors” that make for strong leaders and “can’t buy good planning” or passion:

So in education, I’m convinced that [success] has to do with leadership, it has to do with having a plan that is not the plan that I forced you to have because I’ve said I’m going to give you money if you have a plan. It’s the plan that you own from the heart because you believe it as the superintendent, your principals believe it as the leaders. You’ve worked to get the community and the teachers to buy into it. And [you say], “We are going to take this plan and run with it and make our school district great.” And there are places where that’s happening in Ohio. But it starts there. And it’s frustrating for me in finance, because immediately I think, “How do we use the money to get that?”

This section described the ways that accountability measures in Ohio have influenced how state-level officials think about resources and their perceptions of progress at the local level. While our interviews pointed to progress regarding improved resource use at both the local and state levels, these interviews also point to a lack of progress regarding substantive changes to the education finance system. In the next section we discuss the politics of adequacy, equity, and efficiency in Ohio.

Politics of Adequacy, Equity, and Efficiency

The landscape of Ohio’s education finance system is a complicated one marked by political divisiveness and decades of legal challenges that have resulted in a limited amount of real change to the finance system itself. While judicial challenges have led to some procedural changes and increased funding, most of the individuals we interviewed feel that the system still suffers from large structural deficiencies and that the likelihood of change is limited because key political players neither share the same concerns nor favor similar reforms.

A series of court decisions beginning in the early 1990s and extending through the early 2000s have repeatedly found Ohio’s public school funding scheme to be unconstitutional. Yet, echoing local opinions, state leaders expressed the opinion that these decisions have failed to address fundamental problems of inequity, inadequacy, and instability of funding, which are typically associated with residual budgeting, Ohio’s reliance on local property taxes for a significant amount of school funding, and the influence of phantom revenue. State respondents also noted that despite a recommendation by Governor Taft’s Blue Ribbon Task Force on Financing Student Success, political forces at the both the state and district level have blocked new tax policies from being implemented.

Indeed, a lack of political agreement on key issues is a commonly cited source of inertia. State policymakers noted that because districts receive dramatically different percentages of their funds from the state and may levy wildly different millage depending on property values in their district, they have varying interests in system-level change. In political arenas, Republican policymakers may push for better use of existing funds, while Democrats tend to argue for increases in funding in some areas and redistribution of funds to better support disadvantaged students, leading to a stalemate.

The following sections discuss in greater detail the influences of judicial challenges, structural problems in the state funding system, and the effects of competing political interests.

Ineffective Judicial Challenges

In explaining the current school finance situation in Ohio, state officials, like local leaders, are quick to reference the multiple rounds of *DeRolph* litigation that challenged the financing of Ohio's public schools. The courts repeatedly found Ohio's school funding system to be unconstitutional,⁵¹ but education finance mechanisms remain largely unchanged. While the legislature did introduce a new funding methodology (a "building blocks" approach focused on key cost inputs to the system) during the 2006-2007 budget process, most officials we spoke with feel politicians punted on the court's injunction to reduce districts' reliance on property taxes.

Structural Problems in the System

Ohio's school finance system is characterized by several formal funding mechanisms that many officials view as "inherent structural flaws," including the limitations of HB 920 and the impact of phantom revenue. As a result, local districts seek frequent levy increases to keep up with inflation and deal with declining state contributions. Officials point out that this behavior has the negative effect of turning superintendents into fundraisers who must deal with unpredictable and unstable sources of funding with much less time to function as educational leaders. In turn, the effects of unpredictable or declining funding are reported to ripple down through the system, causing district officials to lose their focus on student performance as they worry about reserve funds, teacher lay-offs, and building closures. Further, state officials feel that the constant levy-seeking has the effects of confirming taxpayers' perceptions that education administrators are poor money-managers and invoking "levy-fatigue" among the public. While those we spoke with were resigned to working within this system, they all feel that education funding must become less reliant on property taxes and include some sort of built-in revenue growth for the state to succeed in its educational mission.

In 2005, the Governor's Blue Ribbon Task Force on Financing Student Success issued a recommendation to eliminate the property tax rollbacks at the heart of the HB 920/phantom revenue problems, but the recommendation was not enacted. Although the proposed change was described by one respondent as the solution that came "closest to crossing political lines," it lacked a champion, allegedly because "reasonable politicians knew it wouldn't go anywhere." In explanation, respondents pointed to the strong Republican presence in the legislature, a "far right [that] is very well organized" and a governor who feels that "you touch [HB] 920 and you die." It is also worth noting, however, that Governor Taft made his pursuit of the constitutional amendment that would be required to change the tax structure dependent on the support of

⁵¹ For a detailed discussion of judicial decisions in Ohio, see appendix B, beginning on pg. 108.

school districts, which was not forthcoming. One respondent mentioned that school districts did not rally behind the proposal because they felt it did not offer them enough flexibility. Another added that a consequence of this political discussion was taxpayer reticence to throw additional money into a system viewed as “broken.”

Adding to the revenue problem arising from rollback provisions is Ohio’s recent elimination of a tax that helped fund school districts. Having determined that Ohio’s tax structure was uncompetitive and driving businesses out of the state, the legislature made tax reform a priority for 2005 and passed a bill to eliminate the personal tangible property tax. While the state has agreed to hold districts harmless for this decision and make up the resulting lost revenue for the first few years, both district and state officials appear to be uncertain of what will happen over the longer term.

Lack of Agreement and Problem-Solving Among Key Political Players

Our respondents indicated that school finance discussions are politically charged and often ineffectual in Ohio because there are, in the words of one interviewee, “So many different factions around school funding that we haven’t been able to get people of goodwill to coalesce” around common solutions. Divisions exist on the basis of different district funding profiles and socioeconomic demographics, as well as political orientations.

Speaking about divisions among districts, officials told us that unanimity among superintendents is hard to come by because funding characteristics vary dramatically between communities. Districts may receive more or less state assistance, collect a higher or lower percentage of funds via local levies, and have higher or lower tax bases and tax efforts in their communities. Divided opinions also crop up as a result of performance differences among districts (which are strongly correlated with student wealth) and the resulting differential amounts of state assistance. Because of the strong political pressure to assist underperforming schools, the department of education reportedly steers a number of resources towards them. But an official in the department told us that officials in high-performing districts that “aligned their curriculum 800 years ago” are resentful that they do not receive more support in their efforts to improve achievement. As a result of these divided opinions, the education community cannot “get its act together” and has had trouble creating change.

Among state-level political actors, opinions polarize between the majority Republican legislature calling for a better allocation of existing funds against goals and Democrats who argue for more resources and a reallocation of funds to better support disadvantaged students. One respondent was optimistic that some Republicans were beginning to believe—along with many Democrats—that the cost of educating students varies with the students’ backgrounds and needs. As a result, he was hopeful that a majority could rally around the idea of providing to students from economically disadvantaged backgrounds additional financial support to reach standards. Many Republicans, however, have been quick to decry any “Robin Hood” proposals that would move money from wealthier districts to poorer districts.

Officials told us that the diversity of opinions surrounding school finance solutions makes the issue of more effective resource use a “politically touchy” one. Political realities apparently force the state superintendent to concentrate on improving the use of existing resources. But local leaders feel that schools are underfunded and think that the state superintendent, the board, and others in power should act as their advocate and procure additional resources to support new accountability mandates and the necessary “retooling of systems.” Consequently, some of the

state officials we spoke with consider the idea that there is “enough money in the system” and that it simply needs to be better directed politically unpopular and that education officials face political consequences for promoting it.

Several other key political contingents are also hindering efforts to move school finance conversations forward, according to our respondents. We were told that:

- The unions are “politically naïve” and put forth unrealistic proposals that have “no hope” of passing muster with politicians and citizens. In fact, a few respondents mentioned that taxpayers in some more rural districts were resentful of teachers’ comparatively high salaries and excellent benefit packages.
- The business community is not as visible or as willing to publicly champion reform as when the Battelle for Kids program was developed. Respondents think that business leaders have an important role to play in connecting schools to the economic sector and shaping the skills taught to future employees.⁵²
- Mayors should be more involved in reforming the education finance system but are hesitant to become so because they—like the state superintendent—must worry about appearing unsupportive of schools if they focus more on reform than increasing funding.

In light of these divided opinions about how to reform school finance, several interviewees alluded to the important role that outsiders may play in bringing new ideas about effective resource use to the table. They thought external actors had more political freedom to bring novel and potentially controversial ideas to the debate.

This section described how political forces impact the education finance arena in Ohio. The next section discusses the influence of other factors on the deployment of resources and education reform.

⁵² It should be noted that since the time of our interviews, some members of the business and non-profit communities appear to have coalesced around science and mathematics education reform. In late 2005, the Ohio Board of Regents, Ohio Department of Education, and governor’s office created the Science and Mathematics Education Policy Advisory Council. The council, made up of 23 representatives from the state’s education, business, and government interests, was charged with recommending policy and practice changes that would allow Ohio to become a leader in developing world-class talent, especially in the disciplines of science and mathematics. In 2007, the council issued a report detailing strategies for expanding Ohioan’s understanding of math and science education, increasing the number of students who take courses and pursue careers in math and science, improving the quality of mathematics and science education, and strengthening connections between postsecondary programs and the business sector (Science and Mathematics Education Policy Advisory Council 2007). In late 2006, the Ohio Grantmakers Forum released a report outlining education reforms needed to support Ohio’s future, including a seamless P-16 system, world class standards and stronger accountability, quality teachers and principals in every school, innovations and options, and adequate funding (Ohio Grantmakers Forum 2006). Finally, the Ohio STEM initiative was launched to improve mathematics and science instruction and learning. STEM initiatives include the STEM Learning Network, which consists of K-12, higher education, and business partners committed to sharing best practices, and several state funded initiatives aimed at improving STEM education programs and student and teacher capacity. These efforts receive funding from the state of Ohio and also receive financial and other support from the Bill & Melinda Gates and Cleveland Foundations, Battelle, and several other education and non-profit entities (Ohio STEM Learning Network 2008).

Factors Influencing Deployment of Resources to Support Performance

Our respondents indicated that several factors—in addition to funding equity, adequacy, and efficiency—influence state and district efforts to deploy resources effectively to support student performance. Two of the most commonly mentioned were the cultures of schools, districts, and communities and collectively bargained agreements with the teachers unions.

Interviewees identified different aspects of educational culture that stand in the way of change: an American sense of entitlement; district leaders convinced that additional resources are the only solution to poor student performance; educators who fear both change and failure; and even parents, who don't realize the necessity of education to ensure their children's success.

Echoing what we heard at the local level, state leaders claimed that unions also impede successful deployment of resources by placing restrictions on the hiring, placement, and firing of teachers as well as the use of teacher time. Our interviews also indicate that teachers unions raise objections to potential innovations, such as the use of student performance data to assess teacher effectiveness and pay-for-performance plans.

In addition, consistent with the district-level findings, state officials noted that charter schools have put pressure on some districts to improve performance to maintain enrollment levels and associated funding.

The following sections discuss in greater detail the influences of local culture and collective bargaining agreements, as well as the impact of charter schools.

District, School, and Community Cultures Can Impede Effectiveness of Reforms

Similar to the sentiments we heard at the local level, several state officials discussed the role that district, school, and community cultures can play in helping or hindering performance improvement efforts. One of the officials we spoke with offered a long commentary on the current culture of education in the United States, suggesting that Americans—and Ohioans in particular—have a strong sense of entitlement and lack a “hunger” for education and opportunities. She argued that this mindset slows performance progress, pointing particularly to parents who she claims are out of touch with economic realities regarding the importance of education and, furthermore, don't want their children to leave the community as a result of better education.

State officials also indicated that educators may impede academic progress as well. As leaders of district cultures, superintendents are believed to occupy a critical position in standards-based reform efforts. According to a few of the state respondents, though, some superintendents complain about the resources they don't have because they are fully convinced that more performance requires more dollars. One state official pointed out how different this attitude is from the “do more with less” mentality presiding in the business realm and thought that bringing more business leaders into schools would be helpful. Another described existing superintendents as “masters of the status quo” and noted that getting them to change habits and practices is a challenge.

State level respondents also reiterated local views that teacher and school cultures can be critical for supporting change efforts. State respondents indicated that school cultures of individualism and “blaming others” are not conducive to improving achievement. They also noted that many successful school turnarounds have occurred when strong leaders have helped

teachers overcome their fear of change, failure, and responsibility by instituting group practices such as the sharing of best practices and collegial learning.

Unions and Collective Bargaining Provisions Constrain Resource Use

Echoing district-level officials, state officials told us that union contracts and bargained provisions constitute one of the largest impediments to effective resource use. The most frequently mentioned constraints involved the placement of teachers and the use of data. A state official acknowledged that the value-added data “could very well” represent an opportunity to identify both excellent and underperforming teachers, but union members are very much against this idea. Indeed, as one might expect in a strong union state, Ohio’s value-added program does not provide value-added information on individual teachers.

Officials also lamented the impact of contract provisions dealing with hiring, firing and seniority preferences:

When I think about constraints that are built into unions, I think about the lack of building-level leadership to be able to hire and fire and therefore build strong academic teams. The inability to move teachers around—in and around failing schools to try to solve specific issues of student achievement because there are different mechanisms built into the union that don’t allow you to do that. I think about the fact that we have a difficult time . . . negotiating how to differentiate pay so that you get good, high-quality experienced teachers in the schools that need them most . . . because of the collective bargaining agreements, we don’t have the flexibility to move folks around in order to get the right people in the right places.

Union resistance to practices such as the use of incentives has caused state officials to adopt a method of experimentation that minimizes conflict and builds on pockets of support:

Given that it’s a very strong union state, our philosophy has been, “Find some places that are relatively receptive, get something good to happen, and then carry that to others and have [that] place help be the spokespeople for getting it done.”

Charter Schools Have Pushed Officials to Recognize a Lack of Performance

Ohio’s relatively large charter school presence⁵³ has both detractors and supporters among the state officials we spoke with. This is not surprising given the current “battle” for students going on between traditional public schools and charters in several urban areas in Ohio.

A state board member we spoke with feels that charter schools have provided a strong push to traditional public schools. This individual claimed that the charter schools were causing some underperforming urban schools to notice that they were not doing as well as their competition. Another state official said that unions and their members are wasting energy and resources worrying about, derogating, and complaining about charters when they should be focusing on competing (by providing superior services and satisfying parents) instead. State union officials offered a counterpoint to this argument, saying that parents move their children to charter schools for reasons “other than academics,” and then transfer them back into regular public schools later on, at which point they are behind.

⁵³ For a detailed discussion of the charter movement in Ohio and the number of students participating in charter schools, see appendix B, beginning on pg. 119.

One of the interviewees mentioned that many charter schools fill a real niche in the Ohio education system because they cater to specific populations: high school dropouts, autistic children, technology enthusiasts, and those desiring a single-sex environment. He mentioned that his team is attempting to point this fact out to resentful public school officials who often “don’t want these kids” and would “put them out on the street.” However, this individual also acknowledged that some charter schools are not doing a good job and require more oversight.⁵⁴

Concluding Thoughts on State Perspectives

State-level policymakers told us that accountability concerns have led them to pay greater attention to some key aspects of school resource allocation and use. They are more closely examining the links between expenditures and results, the distribution of resources according to need, and the evidence regarding “what works.” State officials are attempting to improve student performance by considering the consequences of multiple funding streams and by working to improve educator and administrator capacity. Many of those we spoke with were excited about recent performance improvements and new tools, such as the value-added program, that they believe will allow them to improve education in the state.

While, according to our interviews and a review of education reform in Ohio, state leaders have been very active in enacting education reforms, viewing these reforms as important vehicles to improving student performance, policymakers at the state level also acknowledge continuing problems regarding the adequacy, equity, and stability of Ohio’s system of funding public education. State officials concerns regarding the distribution of education funding in Ohio are supported by the fact that Ohio school funding ranks below the national average on a number of equity measures. As with the education system reforms at the district level, state-level reform efforts seem to be occurring in spite of rather than in concert with finance system reforms.

As the outcome of the governor’s Blue Ribbon Task Force on Financing Student Success and the legislature’s response to the most recent finance system court cases demonstrate,⁵⁵ state policymakers appear unable to implement the changes necessary to eliminate the structural and sustainability issues associated with the residual budgeting and taxing limitations and revenue

⁵⁴ This comment regarding charter school oversight echoes some of the complaints we heard at the local level about charter schools not being held accountable in the same way as traditional public schools. At the time of our interviews, Ohio’s charter school law contained loopholes in oversight, allowed over 70 government and private agencies to authorize new charters, and included financial incentives that encouraged sponsors to let poorly-performing schools stay open (Dillon 2007). Since the time of our interviews, Ohio has sought to improve charter school accountability and oversight by enacting legislation that (1) required ODE to adopt rules defining reasonable academic gains in reading and math for students in charter schools and imposing certain sanctions for failure to achieve reasonable gains, (2) increased requirements for charter school sponsors, and (3) stipulated that value-added performance measures and state ratings must be used to determine which charter schools to close (Office of Community Schools of the Ohio Department of Education 2007).

⁵⁵ In their 2005 report the governor’s task force provided 18 recommendations, which they noted were to be taken as a package and not piecemeal. While some of their recommendations were at least partially implemented, the legislature did not enact the entire package as suggested. The task force also noted that they had “not achieved unanimity on either the levels of funding that should be provided for today’s education system, or the tax structure that best provides that funding,” and indicated that work should continue on that front. Also, while it found the education funding system unconstitutional for the fourth time in 2002, the Ohio Supreme Court did not retain jurisdiction over the case. This means that the general assembly faces no judicial consequences for delaying the restructuring of the school funding system. And, indeed, the subsequent legislative responses to the court case have not met the expectations of the educators involved in our study.

fluctuations associated with HB 920 and phantom revenue, to ensure that all districts have the resources needed to bring all students to standard and to reduce spending inequities among districts. Because legislators have failed to reach consensus and produce meaningful education finance reform, the needs of many Ohio students take a backseat to special interests and parochial concerns in a complicated, inefficient, and non-strategic finance system—a system that must be changed if the state is to reach its educational goals for all students.

Conclusion

This case study was undertaken by the School Finance Redesign Project to help better understand (1) the formal structure and operation of the Ohio school finance system, (2) the effects of heightened performance pressures on educational resource allocation processes and decisions, (3) the ability of decisionmakers to deploy resources as they thought appropriate, and (4) the factors enabling or constraining their efforts to link resources to student performance. The study addressed these issues by (1) documenting the state's school finance system and key conditioning influences that have shaped it and (2) reporting on the views of local and state officials about if and how Ohio's school finance policies and practices were changing in response to performance pressures and what factors enabled and constrained reform efforts.

In Ohio, administrators and policymakers question the ability of the finance system to deliver equitable, adequate, and stable state funding, specifically noting the state's overreliance on local property taxes and the structural problems associated with HB 920/phantom revenue. While the education finance system has been ruled unconstitutional several times, legislative responses continue to fall short of educators' and the court's expectations. Discussions regarding equity, adequacy, and the stability of state funding take place in a politically charged arena, severely constraining efforts to achieve significant system change.

The effects of performance pressures are especially visible in the study districts, where officials indicated that they had "gotten the message" about the importance of raising student achievement. They provided many examples of reforms and innovations aimed at meeting this objective by allocating funding based on student needs, improving the capacity of teachers to teach and students to learn, using data to drive decisionmaking, and becoming more coherent and focused in their planning.

Both district-specific factors and more general ones (such as the accountability pressures, good leadership, flexibility, good data, supportive communities, and outside funding) were reported to contribute to the ability of local officials to pursue resource strategies aimed at improving student outcomes. But constraints were cited as well. Many local officials argued that unstable, inequitable, and inadequate state funding associated both with the poor economy, residual budgeting, and HB 920/phantom revenue severely hamper their ability to respond to the challenges they face, as do union collective bargaining stipulations.

During our interviews, state policymakers were excited about the steps taken to improve resource use, but they also mentioned the politically charged environment surrounding adequacy, equity, and efficiency and other factors that inhibit the effective use of educational resources. State-level interviewees reiterated concerns voiced at the local level about court cases finding the education funding system unconstitutional and the lack of significant legislative response, structural issues including an overreliance on property taxes and problems associated with HB

920/phantom revenue, and the divisive politics surrounding system change. They also noted that collective bargaining agreements, in this heavily unionized state, limit administrators' abilities to implement reforms associated with teacher pay and the use of teacher time and that district, school, and community culture can also impede reform efforts. Despite these constraints, policymakers have made efforts to improve resource use, including, among other things, using standards and data, better aligning resource allocation and recordkeeping requirements, implementing value-added and return-on-investment analysis, identifying promising practices, and raising the capacity of educators.

The difficulties associated with developing a finance system that aligns resource use with learning goals are substantial, especially when that development must occur in a context of historical precedents and structures, entrenched political interests, and multiple, competing groups of stakeholders. Nevertheless, the findings of this report indicate that performance pressures are pushing administrators and policymakers to strive for educational adequacy for all students and towards the implementation of reforms that would better link resources to desired outcomes. Our findings also shed light on the problems that ground-level administrators and policymakers face in implementing educational change within the current finance system and illustrate why progress is slow, despite these well-intentioned efforts. Finally, our findings make clear that Ohio policymakers and legislators cannot continue to view education finance discussions as unproductive distractions divorced from the work of education reform; instead they must attend to the system's structural problems if they are to reach the objective of bringing all students to standard. We hope that the findings of this and other SFRP reports will encourage policymakers, practitioners, and the public to overcome historical precedents, partisan politics, and resistance to change in order to create an educational system that truly makes student achievement the ultimate goal.

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Appendix A. District- and State-Level Interview Protocols

GENERAL SCHOOL INTERVIEW PROTOCOL

Our study is part of a larger project looking at how school finance systems help or impede efforts to improve student learning. We are particularly interested in how districts and schools use resources to accomplish their educational goals, how and by whom resource decisions get made, and what helps or hinders schools in using resources effectively, particularly in light of heightened pressures to improve student achievement.

So . . .we have some questions to ask you to help us understand how things work in your district.

Resource decisions

1. In light of today's push for higher student performance, what do you see as the major student performance challenges facing your school?
2. How has the push for higher student performance affected the way the school uses its resources—by which I mean dollars or the things they buy: staff, time, materials, etc.?
3. What is the school doing to improve the quality of teachers and teaching?
[Expect to probe here. Expect incentives and capacity building.]
4. What is the school doing to help students handle higher performance expectations?
[Expect to probe here. Expect incentives and capacity building.]

Resource decisionmaking

5. How does the school decide how best to use the resources available to it? Who's involved in those decisions? Please provide only general identification of the people who are involved. Please do not provide specific names.
[e.g., strategies, processes, bargaining, formulas, etc.]
6. Has this decisionmaking process changed in response to pressures for higher performance?
7. In what ways, if any, are you able to link resource decisions to student performance goals?

PROBE: Is there a formal planning or goal-setting process? Who's involved? Again, please do not provide specific names. Is the plan used? How is it updated?

PROBE: How much authority does your school have over teacher hiring/firing? Teacher assignments or time? Professional development? Other resources? Has this level of authority changed recently?

PROBE: In what ways, if any, does the school use student performance information to make resource decisions? Who has access to the information? Again, please do not provide specific names.

PROBE: How does the school assess the effectiveness of its resource decisions?

Resource constraints/enablers

8. Do you think the school is using its resources as effectively as it could to improve student performance? How do you know?
9. What would you change, if you could?
10. What prevents you from making these changes?
11. From your perspective, is there enough money in the system to accomplish your performance goals? If no, what more do you need and what would you do with it?
12. Are there issues about the way the district allocates resources to you that hinder your ability to use resources effectively?
13. Are there strings attached to the money or other resources you get from federal, state, or other sources that hinder your ability to use resources effectively in terms of promoting student achievement? Please describe them.
14. When rules hinder you, are there ways to get around the roadblock? Do you use them?
15. To what extent do teacher contract obligations shape your resource decisions? Would you say that these contract obligations help or hinder you in using resources effectively?

Conclusion

16. Is there anything else about using resources to meet the school's goals, or about how school finance policies help or hinder your efforts here, that you think we should cover?
17. Are there documents you would particularly recommend that we review?
18. Who else should we talk to?

GENERAL DISTRICT INTERVIEW PROTOCOL

Our study is part of a larger project looking at how school finance systems help or impede efforts to improve student learning. We are particularly interested in how districts use resources to accomplish their educational goals, how and by whom resource decisions get made, and what helps or hinders districts in using resources effectively, particularly in light of heightened pressures to improve student achievement.

So . . . we have some questions to ask you to help us understand how things work in your district.

Resource decisions

1. In light of today's push for higher student performance, what do you see as the major student performance challenges facing your district?
2. How has the push for higher student performance affected the way the district uses its resources—by which I mean dollars or the things they buy: staff, time, materials, etc.?
3. What is the district doing to improve the quality of principals, teachers, and teaching in the district?
[Expect to probe here. Expect incentives and capacity building.]
4. What is the district doing to help students handle higher performance expectations?
[Expect to probe here. Expect incentives and capacity building.]

Resource decisionmaking

5. How does the district decide how best to use the resources available to it? Who's involved in those decisions? Please provide only general identification of the people who are involved. Please do not provide specific names.
[e.g., strategies, processes, bargaining, formulas, etc.]
6. Has this decisionmaking process changed in response to pressures for higher performance?
7. In what ways, if any, are you able to link resource decisions to student performance goals?

PROBE: Is there a formal planning or goal-setting process? Who's involved? Again, please do not provide specific names. Is the plan used? How is it updated?

PROBE: How much authority do schools have over teacher hiring/firing? Teacher assignments or time? Professional development? Other resources? Has this level of authority changed recently?

PROBE: [If schools don't have much authority:] Ever consider giving schools more control over their resources?

PROBE: In what ways, if any, does the district use student performance information to make resource decisions? Who has access to the information? Again, please do not provide specific names.

PROBE: How does the district assess the effectiveness of its resource decisions?

Resource constraints/enablers

8. Do you think the district is using its resources as effectively as it could to improve student performance? How do you know?
9. What would you change, if you could?
10. What prevents you from making these changes?
11. From your perspective, is there enough money in the system to accomplish your performance goals? If no, what more do you need and what would you do with it?
12. Are there strings attached to the money you get from federal, state, or other sources that hinder your ability to use resources effectively in terms of promoting student achievement? Please describe them.
13. When rules hinder you, are there waivers or other ways to get around the roadblock? Do you use them?
14. To what extent do teacher contract obligations shape your resource decisions? Would you say that these contract obligations help or hinder you in using resources effectively?
15. Are there implementation issues at the school level that hinder your ability to use resources effectively?

Conclusion

16. Is there anything else about using resources to meet the district's goals, or about how school finance policies help or hinder your efforts here, that you think we should cover?
17. Are there documents you would particularly recommend that we review?
18. Who else should we talk to?

HR DISTRICT INTERVIEW PROTOCOL

Our study is part of a larger project looking at how school finance systems help or impede efforts to improve student learning. We are particularly interested in how districts use resources to accomplish their educational goals, how and by whom resource decisions get made, and what helps or hinders districts in using resources effectively, particularly in light of heightened pressures to improve student achievement.

So . . .we have some questions to ask you to help us understand how things work in your district.

Resource decisions

1. In light of today's push for higher student performance, what do you see as the major student performance challenges facing your district?
2. How has the push for higher student performance affected the way the district uses its human resources?
3. What is the district doing to improve the quality of principals, teachers, and teaching in the district?
[Expect to probe extensively here. Expect incentives and capacity building.]
4. What is the district doing to help students handle higher performance expectations?
[May not elicit much.]

Resource decisionmaking

5. How does the district make human resource allocation decisions?
6. Has this decisionmaking process changed in response to pressures for higher performance?
7. In what ways, if any, does the district link human resource decisions to student performance goals?

PROBE: Is there a formal planning or goal-setting process? Who's involved? Please provide only general identification of the people who are involved. Please do not provide specific names. Is the plan used? How is it updated?

PROBE: How much authority do schools have over human resource decisions? Has this level of authority changed recently?

PROBE: [If schools don't have much authority:] Ever consider giving schools more control over their human resources?

PROBE: In what ways, if any, does the district use student performance information to make human resource decisions? Who has access to the information? Again, please do not provide specific names.

PROBE: How does the district assess the effectiveness of its human resource decisions?

Resource constraints/enablers

8. Do you think the district is using its human resources as effectively as it could to improve student performance? How do you know?
9. What would you change, if you could?
10. What prevents you from making these changes?
11. From your perspective, how is the overall level of funding an issue for human resource management?
12. Are there strings attached to the money you get from federal, state, or other sources that hinder your ability to use human resources effectively in terms of promoting student achievement? Please describe them.
13. When rules hinder you, are there waivers or other ways to get around the roadblock? Do you use them?
14. To what extent do teacher contract obligations shape your human resource decisions? Would you say that these contract obligations help or hinder you in using resources effectively?
15. Are there implementation issues at the school level that hinder your ability to use human resources effectively?

Conclusion

16. Is there anything else about using human resources to meet the district's goals, or about how school finance policies help or hinder your efforts here, that you think we should cover?
17. Are there documents you would particularly recommend that we review?
18. Who else should we talk to?

GENERAL STATE INTERVIEW PROTOCOL

Our study is part of a larger project looking at how school finance systems help or impede efforts to improve student learning. We are particularly interested in how states use resources to accomplish their educational goals, how and by whom resource decisions get made, and what helps or hinders states in using resources effectively, particularly in light of heightened pressures to improve student achievement.

So. . .we have some questions to ask you to help us understand how things work in your state.

Resource decisions

1. In light of today's push for higher student performance, what do you see as the major student performance challenges facing your state?
2. How has the push for higher student performance affected the way the state uses its resources—by which I mean dollars or the things they buy: staff, time, materials, etc.?
3. What is the state doing to improve the quality of principals, teachers, and teaching?
[Expect to probe here. Expect incentives and capacity building.]
4. What is the state doing to help students handle higher performance expectations?
[Expect to probe here. Expect incentives and capacity building.]

Resource decisionmaking

5. How does the state decide how best to use the resources available to it? Who's involved in those decisions? Please provide only general identification of the people who are involved. Please do not provide specific names.
[e.g., strategies, processes, bargaining, formulas, etc.]
6. Has this decisionmaking process changed in response to pressures for higher performance?
7. In what ways, if any, are you able to link resource decisions to student performance goals?

PROBE: Is there a formal planning or goal-setting process? Who's involved? Again, please do not provide specific names. Is the plan used? How is it updated?

PROBE: How much authority do schools have over teacher hiring/firing? Teacher assignments or time? Professional development? Other resources? Has this level of authority changed recently?

PROBE: [If schools don't have much authority:] Ever consider giving schools more control over their resources?

PROBE: In what ways, if any, does the state use student performance information to make resource decisions? Who has access to the information? Again, please do not provide specific names.

PROBE: How does the state assess the effectiveness of its resource decisions?

Resource constraints/enablers

8. Do you think the state is using its resources as effectively as it could to improve student performance? How do you know?
9. What would you change, if you could?
10. What prevents you from making these changes?
11. From your perspective, is there enough money in the system to accomplish your performance goals? If no, what more do you need and what would you do with it?
12. Are there strings attached to the money you get from federal or other sources that hinder your ability to use resources effectively in terms of promoting student achievement? Please describe them.
13. When rules hinder you, are there waivers or other ways to get around the roadblock? Do you use them?
14. To what extent do teacher contract obligations or collective bargaining shape your resource decisions? Would you say that these contract obligations help or hinder you in using resources effectively?
15. Are there implementation issues at the district or school level that hinder your ability to use resources effectively?

Conclusion

16. Is there anything else about using resources to meet the state's goals, or about how school finance policies help or hinder your efforts here, that you think we should cover?
17. Are there documents you would particularly recommend that we review?
18. Who else should we talk to?

Appendix B. Ohio's School Finance System

State education funding in Ohio results from several explicit policy choices: local funding responsibility, limited equalization, additional state support for certain needs, and state aid for nonpublic schools (Maxwell and Sweetland 2002; Achieve 2006). It also involves several implicit policy choices: the willingness of taxpayers to tax themselves is a major factor in the amount of education funding. In addition, there are no limits on revenues or expenditures, there is no state incentive for districts to tax above the minimum, and there is limited reimbursement by the state for certain costs. Various judicial decisions and education reforms, as well as the economic and political climate, have all influenced these policy choices. Finally, education funding in Ohio remains intensely controversial because diverse stakeholders have different agendas and priorities.

Constitutional Responsibility

The Ohio state constitution contains two provisions that together guarantee equal rights to public education and have served as the basis of legal challenges to the state school finance system (Maxwell and Sweetland 2002). Article I, Section II is the state's so-called equal protection clause. It states, "All political power is inherent in the people. Government is instituted for their equal protection and benefit." Article VI, Section II contains the so-called education clause:

The general assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state; but, no religious or other sect, or sects, shall ever have any exclusive right to, or control of, any part of the school funds of this state.

As described in more detail below, court decisions about the constitutionality of Ohio's school finance system focus on what is meant by "equal protection and benefit" and "thorough and efficient."

State Role in and Features of K-12 Education Funding

The earliest legislation pertaining to education in Ohio was likely the Northwest Ordinance of 1787, which provided that "schools and the means of education shall forever be encouraged" (Maxwell and Sweetland 2002). The original Ohio constitution submitted to the United States Congress in 1802 indicated again that schools should be encouraged by legislative provisions and that no law should be passed preventing the poor within Ohio from equal participation in public education. The 1803 act creating the State of Ohio indicated that, "One section of each township had ostensibly been reserved for school purposes." As discussed in more detail below, state support of education in Ohio has a long and contentious history. Since nearly the earliest provision of public education in Ohio, the state has faced two tensions: (1) the balance between state and local provision of funding and (2) the conflict between providing educational opportunities while controlling tax rates.

Today, Ohio enrolls approximately 1.8 million students in approximately 4,000 K-12 public schools organized into over 600 districts (National Center for Education Statistics 2004-2005; Achieve 2006). Ohio contains a large number of midsized districts: approximately 430 districts

with enrollments between 1,000 and 5,000 students enroll just over half of the state's public school students. Meanwhile, seven large districts enrolling 20,000 or more students account for approximately 16 percent of the total public school enrollment. In addition to traditional public schools, charter schools (or community schools as they are known in Ohio) and voucher programs are playing an ever-increasing role in the provision of education. In 2005-2006, 72,052 students attended 291 charter schools throughout Ohio (National Charter School Research Project 2005-2006). In some communities, charter schools enroll a significant minority of students; in Dayton, approximately 1 in 4 students attends a charter school. In 2005-2006, approximately 5,700 students participated in the Cleveland Voucher Program (National School Boards Association 2007a). While use of the state-wide voucher program in 2006-2007 involved only 2,900 students, the program, termed EdChoice, has been appropriated funding for 14,000 students and is available to over 100,000 students in 213 traditional public schools (Achieve 2006).

As detailed below, the formal decisionmaking authority and funding of this system of schools is shaped by Ohio's constitution, court decisions, and laws and administrative rules, which have been heavily influenced by education reform efforts, politics, and the economy.

Educational Actors' Roles and Responsibilities

A multitude of entities at the state, regional, and local levels share responsibility and oversight for Ohio's K-12 education system. Summarized below are the roles and responsibilities of the major players in the education arena.

In Ohio, the *Legislature* enacts policy and allocates over \$8 billion per year for education funding (Achieve 2006).

State law provides that the *State Board of Education* exercise a general supervisory function with regard to the system of public education in Ohio (Carey 2006). In addition, the Ohio State Board of Education is also responsible for a wide range of activities, imposed by statute, that require them to perform legislative, executive, and judicial functions. These functions include the following: appointing the superintendent of public instruction and certain department of education personnel; prescribing minimum standards for schools; preparing and submitting an annual report with recommendations for legislative action; administering the public schools foundation program; adopting and administering standards for teacher certification/licensure; establishing school district performance indicators; providing technical assistance with regard to preparation of budgets and financial statements upon the request of a district superintendent; granting or denying requests for waivers; establishing and submitting to the governor and general assembly clear and measurable education goals; and adopting statewide academic standards in reading, writing, mathematics, science, and social studies.

The *Office of the Superintendent of Public Instruction* (OSPI), appointed by the state board of education, serves a dual role (Carey 2006). As secretary to the state board of education, the superintendent must attend all board meetings and is responsible for "ministerial" functions of the board. As the chief executive officer of the state department of education, he/she must administer all education matters assigned to the position. The office of the superintendent therefore carries out all educational policies, orders, directives, and administrative functions of the board and directs the work of all personnel employed at the department of education. By legislative action, the superintendent is required to: provide technical and professional assistance and advice to school districts, prescribe and require preparation and submission of financial and

other reports from school districts, conduct studies and research projects, prepare and submit annually to the state board of education a report of the activities of the department, and, subject to board direction, exercise general supervision of the department of education.

The *Ohio Department of Education* (ODE) is the organization through which the functions of the Ohio State Board of Education and the duties of the Superintendent of Public Instruction are administered (Carey 2006). Many of the department's powers, duties, and functions are created by statute, such as the duties to furnish, grade, and score statewide student achievement tests and adopt rules for the ethical use of those tests; prescribe minimum standards for all schools; prepare an annual report recommending legislative actions; adopt and administer standards for teacher certification/licensure; and administer the state foundation program. The ODE is also responsible for conducting diagnoses and supporting improvement planning of districts that do not make adequate yearly progress (AYP).

Educational Service Centers (ESCs)—formerly county school districts—are primarily service and support organizations. They do not ordinarily operate schools, although they may directly employ special education teachers and teachers of academic courses if constituent local districts have too few students (Carey 2006). According to the ODE web site, ESCs are charged with providing to districts professional development, technology, planning and administrative services to improve student learning, initiatives to enhance the quality of instruction and the equitable access to resources, and maximizing operating and fiscal efficiencies (Ohio Department of Education 2007b). Like school districts, ESCs are governed by locally-elected boards.

Along with about 60 ESCs, Ohio has 12 *Regional School Improvement Teams* (RSITs) and 16 *Special Education Regional Resource Centers* (Achieve 2006). The RSITs assist districts that are not meeting AYP in performing diagnostics according to Ohio's System of School Improvement Support (Maxwell and Sweetland 2002; Achieve 2006). Specifically, the RSITs collaborate with districts to "look at student achievement, demographic, perception, and school process data over a period of years to identify gaps [and] root causes of the problems." The 16 Special Education Regional Resource Centers provide a continuum of resources and services for children and parents including the following: identification of children needing services, program development, interpretation of state and federal law for parents, in-service training for professionals and parents working with disabled children, and the provision of instructional materials libraries for use by teachers and parents.

School Districts are responsible for delivering instruction to children, determining policies and procedures that schools follow, including employing teachers and principals, setting curriculum, and raising a portion of the funds for their schools (Achieve 2006). Elected school boards, charged with enforcing the rules and regulations prescribed by OSPI, govern school districts. Local school boards are allowed to make local regulations as they see fit as long as they are not inconsistent with OSPI rules and regulations. School districts are managed by district superintendents who are responsible to school boards for carrying out district policy, administering schools, supervising personnel, and advising the board on educational matters. Districts are also responsible for helping schools that are not meeting AYP. Districts help schools perform diagnostics, implement support measures, and register improvement plans with the State's Comprehensive Continuous Improvement Plan system.

Budget Processes

The budget process in Ohio starts with the State Department of Education. Every two years, the ODE prepares a report for the State Board of Education (Maxwell and Sweetland 2002). After reviewing the report and making modifications, the State Board of Education sends it to the governor and the legislature as required by Ohio Revised Code 3301.07:

(F) Prepare and submit annually to the governor and the general assembly a report on the status, needs, and major problems of the public schools of the state, with recommendations for necessary legislative action and a ten-year projection of the state's public and nonpublic school enrollment, by year and by grade level.

(G) Prepare and submit to the director of budget and management the biennial budgetary requests of the state board of education, for its agencies and for the public schools of the state.

Following submission of the above-described report and budget request, a biennial budget bill is enacted by the state House of Representatives and Senate and signed by the governor before taking effect at the beginning of the state fiscal year.

With regard to district budgets, by January 15 of each year, school districts must adopt a budget for the next fiscal year. Prior to adoption, the budget must be made available for public review and the board of education is required to conduct at least one public hearing on the proposed budget. The county auditor presents the budget to the county budget commission, which must review the budget and certify the availability of resources by March 1.

In 1996, the legislature passed a law establishing classifications for school districts that are in financial trouble and creating a system for the state to help them become solvent (Sidoti 2002). Districts are labeled as in fiscal emergency if their operating deficit exceeds 15 percent of their revenue and they have not passed a tax levy to make up the difference. Under *fiscal emergency*, districts can borrow money from the state's Solvency Assistance Fund to balance their budgets. In addition, a commission is appointed to take over the district's finances and to carry out a financial recovery plan to plug the budget hole. Under *fiscal watch*, districts with an operating deficit of at least 8 percent retain control over their finances but must develop and submit a financial plan to the state. Under *fiscal caution*, a district is alerted to the fact that they could be in financial trouble in the future and should correct certain spending practices to avoid deficits. In addition, since 2001, districts have been required to submit five-year financial forecasts to the state, and officials review those forecasts to identify potential problems.

Early School Finance

Early funding of Ohio's schools was accomplished through subscription: families banded together to hire a teacher to educate their children (Maxwell and Sweetland 2002). In 1825, the legislature mandated that each district levy taxes for the support of schools, and in 1838 they further legislated that all youth in the state be provided with a free education. In the late 1800s and early 1900s, a statewide property tax provided funds for education.

In 1933, in response to pressure brought on by the depression, voters changed the Ohio Constitution to read as follows:

No property, taxed according to value shall be so taxed in excess of one percent of its true value in money for all state and local purposes, but laws may be passed

authorizing additional taxes to be levied outside of such limitation, either when approved by at least a majority of the electors of the taxing district voting on such proposition, or when provided for by the charter of a municipal corporation.

Prior to this, political subdivisions could levy up to 15 mills⁵⁶ on property without voter approval; therefore, this law reduced taxes by about one-third. To make up for the lost millage revenue, the legislature passed a 3 percent tax on all sales including food.

The first foundation program, enacted in 1935, provided a certain amount of funding based on age for each pupil in average daily attendance, with add-ons for school term and district size. The state provided additional funding if the foundation amount plus applying 3 mills on assessed valuation of property in the district was not sufficient to meet operating costs. Thus, the foundation program initiated two concepts still in use today: (1) K-12 education is a shared responsibility and (2) in order to receive state funds districts must levy a specified number of mills. Despite the enactment of the foundation program and sales tax, the state continued to have problems fulfilling its obligations, failing to make a quarterly payment in 1937.

In 1953 the legislature commissioned a comprehensive study of the education system in Ohio.

The resulting Manahan Report recommended, among other things, the following:

1. a plan to assist school districts in meeting building needs;
2. a foundation program based on “teacher units” rather than number of pupils;
3. an increase in the state share of foundation program costs;⁵⁷
4. an allowance for school districts to vote additional levies periodically; and
5. consideration of salary schedules to reward achievement. The legislature responded to this report by enacting a new foundation plan that provided funding for teachers (core and elective) as well as administration, special instruction, and supervision. The amount the state provided to districts reflected staffing standards and experience levels, transportation, and operational expenditures less the application of 10 mills to district property wealth. All districts, however, received some funds.

Despite these improvements following the publication of the Manahan report, the period from 1965 to 1973 marked a decline in the state’s effort. In 1962, an Ohio Education Association Study recommended changing the foundation formula to increase staffing for general teachers, special education and vocational teachers, support teachers, supervision, and administration as well as including a capital outlay factor in the foundation formula. Because of the cost associated with such changes and the economic conditions in Ohio, the governor did not support these recommendations. Instead, the state enacted an austerity program, cutting school aid by 3 percent. Some schools had to close their doors for periods of time, voters defeated school finance tax increases, and districts cut staff and programs. In 1971, the state enacted an income tax and a new foundation program was developed. Under this foundation program, the state paid the

⁵⁶ In property tax terms a mill refers to .01% of assessed value of a property.

⁵⁷ The state’s share at the time was 25 percent, compared to the national average of 40 percent.

difference between the foundation amount⁵⁸ and what districts could raise by establishing a tax rate of 22.5 mills. All districts, regardless of need, received the same dollar amount for approved vocational units, special education units, transportation, and extended service.

In 1973 and 1974, a finance study was directed by a group of professors from Syracuse University. The subsequent Syracuse Report was presented to the general assembly in 1975. To prevent future instances of wide disparities between spending in wealthy and poor districts, the report recommended an “equal yield plan.”⁵⁹ The legislature delayed implementation of the equal yield for three years and even then did not fully fund certain programs because of the associated costs.⁶⁰ Responding to complaints about the new formula, the legislature discarded the equal yield plan in 1981 and returned to a guaranteed amount per pupil. Between 1982 and 1997, the ratio of actual per-pupil spending to the state guarantee ranged from 1.49 to 1.82, indicating a historic pattern of education expenditures exceeding state funding by more than 50 percent.

Since 1975, the state has enacted some changes to the foundation program. The legislature added a “cost of doing business” factor to provide for cost variations among the 88 counties, although this was later repealed and is currently in the process of being phased out. In 1981, House Bill (HB) 694 allowed local boards of education to place local income tax measures on the ballot. This provision was repealed in 1983. The local income tax option was again enacted in 1989.

Local Taxation Limitations

In 1975, the legislature enacted HB 920, which limited the revenue from a voted millage to the amount that the initial levy was to yield on all real property⁶¹ (Maxwell and Sweetland 2002). Therefore, on average, as property values increase, the millage is reduced, resulting in flat revenues for school districts. An additional interesting by-product of the interaction between this law and the state finance formula is that as property values are reassessed and subsequently increase, state basic aid will decrease even though local revenues on average only increase after the passage of new levies (the on-paper-only increase in revenue is referred to as phantom revenue). Therefore, not only do local revenues remain flat between the passing of levies, but the amount of state funding a district receives decreases each time property values are assessed, if the average property values increase.

As a result of HB 920, real estate owners as a group do not pay more than the voted amount when inflation increases the value of their property (but individuals may pay more if their property increases more than the average). Inside millage (up to 10 mills that do not require a vote) is not reduced with inflation, neither is the personal tangible property tax. But, given that property taxes account for the bulk of local revenues and that most districts levy significantly more than 10 mills,⁶² districts must go back to voters frequently to request higher millages just to keep up with inflation overall.

⁵⁸ The foundation amount was determined by multiplying an amount per pupil based on age by the average daily membership for each age category.

⁵⁹ Under the equal yield plan, the state would make each mill up to 20 mills equal to \$48 per pupil and each mill between 20 and 30 mills equal to \$42 per pupil.

⁶⁰ In 1975, lottery funds were dedicated to education, but they only replaced money already appropriated.

⁶¹ Real property consisted of residential, agricultural, industrial, and public utility real property.

⁶² The state average millage rate is 29 mills.

Recent Tax Reform Issues

In recent years, tax reform in Ohio has focused on improving the business climate in the state through tax reductions, principally the elimination of the tangible personal property tax, which is a tax on items such as furniture, equipment, and machinery used by businesses or commercial enterprises. These tax reforms have been predicated on a number of studies of Ohio's tax system performed over the last several years, all of which recommended reforming the state's tax code (Hall 2000; Dillon 2007; Committee to Study State and Local Taxes 2003; Education Tax Policy Institute 2004; Porter 2004; Sobul 2005).

Based on these recommendations, then Governor Bob Taft made his top priority reforming the state's tax code, including lowering the cost of doing business and encouraging more companies to stay or locate in Ohio (Niquette 2005). On June 30, 2005, Taft signed into law a sweeping tax reform package. Major changes included phase-outs of both the corporation franchise tax and the tangible personal property tax,⁶³ the introduction of a new commercial activity tax based on gross receipts, and cuts in individual income tax rates. In conjunction with tax reform, Taft also called for restrained state spending and reduced Medicaid growth in his 2006-2007 budget proposal, which was the tightest budget presented in Ohio in 40 years (U.S. States News 2005).

Education Spending and Revenue Sources

In Ohio, total state, local, and federal revenue for K-12 education exceeded \$19.9 billion in 2004-2005 (National Center for Education Statistics 2004-2005). Total (operating and capital) expenditures on primary and secondary education were \$19.6 billion, and current (operating) expenditures totaled \$17.2 billion. This resulted in average per-student spending of approximately \$10,600, and average per-pupil current (operational) spending of approximately \$9,300. Ohio per-pupil spending is above the national average, ranking between 14th and 20th among the 50 states and Washington D.C., depending on the year and data used (National Center for Education Statistics 2002-2003, 2004-2005; *Education Week* 2005, 2006; Sable and Hill 2006). These data also indicate that Ohio per-pupil spending is between \$500 and \$1,500 above the national average, again depending on the year and data used.

Despite relatively high spending, Ohio enrolls more students per teacher and pays teachers only slightly more than the national averages on these measures (National Education Association 2006). For the 2004-05 school year, the state ranked 13th highest in the nation for the number of enrolled students per teacher (at 16.2 compared to the national average of 15.8 per teacher) and

⁶³ As noted previously, receipts from the tangible personal property tax provided districts with a growing source of revenue independent of voter approval; revenue increased along with the value of property taxed. Over the years, though, these revenues had been severely curtailed, and in some cases, actually declined sharply for several reasons (Maxwell and Sweetland 2002). First, House Bill 260, passed in 1983, lowered the assessment rate on personal tangible property to 25 percent from previous rates as high as 75 to 80 percent. Second, the legislature exempted agricultural equipment from the category. Third, an exemption of \$10,000 of property value was granted to all personal tangible property taxpayers. Fourth, "just-in-time" inventory systems became more widespread, reducing the amount of taxable property retained by businesses. Finally, Governor Taft's 2006-2007 budget bill (HB 66) included the complete phase-out of the tangible personal property tax on business machinery and equipment, inventories and furniture and fixtures, over the next five years. During this time period, the state will reimburse local governments for tax losses; however, the more serious concern for school districts is what will happen in five years as direct reimbursements are gradually phased out (Education Tax Policy Institute 2006).

paid teachers an average salary of \$48,692, only 2 percent above the national average of \$47,674.

Ohio education funding increases, but education spending as a percent of total state expenditures decreases. Funding from all sources for K-12 education purposes in Ohio totaled \$9.4 billion in FY 2006 and \$10.0 billion in FY (Ohio Office of Budget and Management 2005). In the 2006-2007 biennium, the state of Ohio will expend \$14 billion from the general revenue fund operating budget on K-12 public schools, spending \$6.9 billion in FY 2006 and \$7.1 billion in FY 2007. This spending resulted in base foundation spending of \$5,283 per student in 2006 and \$5,403 per student in FY 2007.

Over the last two decades, Ohio's public education expenditures have increased; however, this growth occurred at about the same pace as public education expenditures in the nation as a whole, with the exception of the early 1990s when the governor ordered state agencies to reduce spending to address a budget imbalance.⁶⁴ During the 1992-2002 period, the state increased funding for primary and secondary schools by approximately 80 percent (Sidoti 2002). Between 1997 and 2003 alone, spending increased by a rate three times the consumer price index, resulting in an increase in spending of \$1,100 per student even after accounting for inflation (Sheridan 2003). During the 1996-97 school year, significant funds were transferred to K-12 education thanks to a higher than expected mid-biennium general fund balance (Ohio Office of Budget and Management 2004). This increase represented a 13 percent gain in general revenue funding⁶⁵ over the preceding biennium total. Gains continued in subsequent years: 1998-1999 saw an 18 percent increase over the previous biennium; 2000-2001 saw a 15 percent relative increase. However, with the downturn in the economy, growth in education funding declined precipitously, and since 2004, biennial appropriations increases for education from the general fund revenues have been only approximately 3 percent (Ohio Office of Budget and Management 2005, 2003). The increases in spending, which were the greatest for low-wealth districts, correspond with the initiation of the first DeRolph court case (described in detail later in this report), subsequent DeRolph rulings, and a relatively healthy economy and budget surplus in the later 1990s (Achieve 2006).

While state education spending in Ohio increased over the past two decades, the percent of state general fund revenue spent on education has declined—from 40 percent in the late 1960s to 26.5 percent in 1995. Even with this decline, primary and secondary education is the largest beneficiary of the state-only general revenue fund, and the second-largest spending category of the general fund (which includes federal reimbursements for Medicaid expenditures). Thirty-five percent of state-only general fund revenues and 27.4 percent of the total general fund revenues were dedicated to K-12 education in 2006-2007 (Ohio Office of Budget and Management 2005). Of the approximately \$6.8 billion the state provided in FY 2007, about 80 percent was distributed through the Ohio School Foundation Program (Ohio Department of Education 2003).

Share of spending between state and district varies significantly. Ohio's funding system has been declared unconstitutional four times because of inequitable distribution. The source of this inequity is an overreliance on local sources of revenue combined with vastly varying

⁶⁴ This reduction included a 2.5 percent overall loss in annual foundation program appropriations and a 6 percent reduction in other primary and secondary education programs. There were, however, no reductions for the state's 172 districts with the lowest per-pupil tax valuations.

⁶⁵ Funding here consists of General Revenue Funds and Lottery Profits Education Funds, but excludes federal and other special revenue funds.

property values among districts. In Ohio, local funding comprises 47 percent of education funding, state funding comprises 45 percent, and federal funding comprises 8 percent (National Center for Education Statistics 2004-2005). The percent of funding derived from these three sources in any given district, however, varies dramatically based on property wealth.

Ohio education funding is notable for its variation in local spending among different districts in the state. The percentage of revenue derived from local sources varies greatly, ranging from a low of approximately 7 percent to a high of 93 percent. This variation in local spending reflects the large variation in taxable property among Ohio districts: in 2001, the poorest district in the state was required to levy 27 mills to match 1 mill of effort in the most wealthy district (Maxwell and Sweetland 2002). A similar disparity exists in the revenue raising ability per mill of property value per pupil (Sobul 2005). In the Cuyahoga Heights Local School District, the revenue raised per mill of property tax per pupil totaled \$586.29, compared to \$36.36 in Trimble Local School District.⁶⁶ Tax efforts in Ohio also show great variation, ranging from 36.44 mills to 22.74 mills, with the resulting tax rate ranging from 3.76 to 0.7 percent.

Taxes burden residents without providing needed growth. Ohio residents appear to pay an average amount of taxes per capita. Per capita state and local taxes in Ohio totaled \$3,637 in 2005, slightly below the national average of \$3,698 (Federation of Tax Administrators 2007a). On this measure, Ohio ranks 23rd in the nation compared to the other states and the District of Columbia. The tax burden (taxes paid as a percentage of income) experienced by Ohio's residents, on the other hand, surpasses the national average. The Federation of Tax Administrators ranked Ohio 13th on a measure of state and local revenue as a percentage of personal income, with taxes totaling 11.8 percent of personal income in 2005 compared to the national average of 11.3 percent (Federation of Tax Administrators 2007b).

At the state level, the two primary sources of tax revenue are the sales and use tax and the individual income tax. In FY 2005, sales and use taxes provided \$7.8 billion (30%) and income taxes provided \$8.6 billion (34%) to the general revenue fund (Ohio Office of Budget and Management 2005). At the local level, nearly all of the revenues historically collected for education were obtained from property taxes. During the 1970s, however, taxpayers began to protest rapidly increasing tax bills, and the legislature enacted tax limitation reforms (e.g., HB 920). These reforms caused financial hardships for many school districts, and both an education commission and the governor's education initiative helped enact Senate Bill 28, which allows school districts to levy local income taxes on those residing within the district (House 1990). As of 2000, 123 districts had an approved income tax in place (Maxwell and Sweetland 2002).

While the local income tax option was designed, in part, to provide a source of revenue which could grow commensurately with wealth (unlike Ohio property taxes, which have a rate reduction imposed on them), this source has not done much to improve the average district's financial situation; the majority of local taxes used to fund schools are still raised by property taxes. In tax year 2004, for instance, local property taxes generated nearly \$9 billion for local and joint vocational schools, while local school district income taxes generated just \$170 million (Sobul 2005). Thus, tax limitation policies and a high reliance on property taxes have essentially eliminated automatic increases in local revenues. Districts must seek additional levies simply to

⁶⁶ This evaluation excludes the two highest per-pupil school property tax revenues per mill of \$2,144 in Kelley Island LSD and \$1,075 in Put In Bay LSD.

keep revenues in line with inflation and increasing education costs, placing many districts in difficult financial circumstances (Maxwell and Sweetland 2002).

Structure of the School Finance System

Ohio's school finance system allocates the bulk of its funds through the foundation program (Ohio Department of Education 2003, 2005a; Ohio Office of Budget and Management 2005). Additional funds are allocated to initiatives associated with operations and efficiency, student success, teacher success, educational choice scholarships, and school building assistance. The state also frequently offers guarantees so that when, through the interworkings of the state aid formula, the formulas indicate that a district should receive a reduced amount of revenue, it is held harmless for this amount for a period of time. Finally, the state formula redistributes wealth only with regard to the state income tax, which is then redistributed through the foundation program.

Foundation Program

Ohio's allocation formula is a foundation program, with an assumed local share being subtracted from the basic cost to determine the state aid amount. The foundation program was funded at \$6.2 billion in FY 2006 and \$6.3 billion in FY 2007. Foundation program funding consists primarily of base cost funding, base cost supplements, and poverty-based assistance. The state provides additional funding for costs associated with elements such as special and vocational education and makes additional adjustments associated with parity aid, the charge-off supplement, and the excess cost supplement.

Base cost funding provides for teachers, support personnel, and non-personnel costs.

Each biennium, the state legislature sets the amount of money necessary to provide a basic education to each pupil in Ohio. The Ohio Legislature set the base cost of providing a basic education at \$5,283 per pupil in FY 2006 and \$5,403 per pupil in FY 2007. This base amount was derived from the costs associated with the following three elements:

- the state's average teacher cost of \$53,680 in FY 2006, which is divided by 20 to get a per pupil cost of \$2,684;
- other support personnel (administrators, librarians, counselors, art, music, and physical education teachers as well as other school employees) at \$1,806 per pupil; and
- nonpersonnel support (books, instructional materials, building maintenance, and nonpersonnel-related needs) at \$792 per pupil.

In each district, the per pupil base cost allocation is multiplied by the formula average daily membership (Formula ADM).^{67,68} The base cost is therefore the per-pupil expenditure multiplied by the Formula ADM.

⁶⁷ To determine the Formula ADM, all students in grades 1 through 12 are counted as contributing 1.0 to the ADM, while students in kindergarten contribute 0.5 (in the formula ADM, a special education student is counted as 1 student, weights are applied later as detailed below).

⁶⁸ In addition to multiplying the per-pupil cost by the Formula ADM, the state also multiplies this amount by a cost of doing business factor for the county in which the district is located, but this practice will be phased out by FY 2008. The district's cost of doing business factor is the term used to identify the concept of balancing or equalizing

Base cost supplements include intervention, professional development, and data-based decisionmaking. In addition to the base cost, Ohio provides base cost supplements to all districts, which are also referred to as the *building blocks*. There are three supplemental building blocks for which all districts are eligible:

- First, the state funds large group academic interventions. The state provides funding for 25 hours of intervention for every student at a 20:1 ratio with an hourly rate of \$20 per hour. This results in a per-pupil (Formula ADM) allocation of \$25 in FY 2006 and \$25.50 in FY 2007.

- Second, the state funds professional development using the formula provided below:

District Teacher Factor * 0.045 * Formula Amount * Phase-In Percentage

Where:

District Teacher Factor = Formula ADM /17

Formula Amount = \$5,283 in 2006

Phase-In Percentage = 0.25 in 2006; 0.75 in 2007

This formula resulted in a per-pupil (Formula ADM) amount of \$3.50 in FY 2006 and \$10.73 in FY 2007.

- Third, the state provides funding to help districts utilize technology to better analyze student needs in order to help individual students reach their potential. This funding is based on the formula amount, Formula ADM, and the number of teachers and principals in a district. This funding amounted to \$11.50 per-pupil in FY 2006 and \$11.75 per-pupil in FY 2007.

After determining the funding level associated with the base costs and the base cost supplements, the state then calculates the amount of money that it anticipates the district will be able to contribute towards that basic education program. Ohio bases its expectation for a district's contribution on the recognized valuation of property in the district and an assumed millage of 23. The state contributes the difference between the amount of money it deems necessary to provide the base cost and base cost supplements and this expected contribution. When a district's real property value is updated or reappraised, any increase in value due to inflation is phased in over three years in equal segments. This phase-in value is the amount recognized when calculating the district's share. The ratio of the money the state provides to a district to the amount the state deems necessary to provide the base cost plus the base cost supplements is known as the state share percentage.

Ohio rules regarding basic aid and basic aid supplements do not restrict district spending but simply indicate the general assembly's intended purpose for the funds. The only way that such funding would become restricted is if the superintendent of public instruction issued an order for districts in Academic Watch or Academic Emergency.

among districts the varying costs of operation. Costs of goods and services are not uniform and tend to be greater in around large metropolitan areas. To put all districts on more equal footing, each county was assigned a cost of doing business factor ranging from 1.0 to 1.05 in FY 2006 and 1.0 to 1.025 in FY 2007. During the transitional period, a base cost guarantee is added so that school districts do not experience decreases below either the FY 2005 state aggregate or the per-pupil base cost payment, whichever is less.

Poverty-based assistance provides for kindergarten and other interventions. In addition to funding for basic aid and basic aid supplements, the Foundation Program also provides poverty-based assistance. In FY 2006, the provision of poverty-based assistance totaled \$380.9 million, and in FY 2007 it will total \$435 million.

Spending requirements associated with poverty-based assistance funding are based on the poverty index of the district. The state determines the poverty index of a district by determining the percentage of students in poverty in the district compared to the percentage of students living in poverty in the state.⁶⁹ All poverty-based assistance funds are restricted; however, districts with a poverty index greater than or equal to 1.0 (poverty higher than the state average) are more restricted in their spending, while districts with a poverty index of less than 1.0 (poverty lower than the state average) have more flexibility.⁷⁰ Regardless of the poverty index, all funds provided through the poverty-based assistance must first be used to provide all-day kindergarten.

Special education weighted amount provides additional funding for these students. In addition to the base funding provided above, additional weighted funding is provided for special education students based on the severity of their disability. Weights range from 0.29 to 4.73 and are based on actual costs of providing services according to state guidelines known as the “blue book.” Ohio law provides for funding for the additional cost of special education at the same percentage as the state funds the base cost. In other words, if the state share percentage (percent of base cost plus base cost supplements provided by the state) is 45 percent, then the state will

⁶⁹ Specifically, the state finds the poverty percentage by dividing the five-year average of children (age 5-17) living in the district and receiving Ohio Works/TANF funding by the district’s three-year average ADM.

⁷⁰ If the district poverty index is greater than or equal to 1.0 then districts must use poverty funding to first fund all-day kindergarten. Then, except as needed for all-day kindergarten, districts may fund the following:

- Intervention: Academic interventions for students who have failed, or are in danger of failing, any of the achievement tests, or for intervention with regard to the 3rd grade reading guarantee.
- Limited English proficiency: To hire teachers or other personnel to provide intervention services for limited English proficient students, to contract for intervention services, or to provide other services to assist those students in passing the 3rd grade reading achievement test.
- Professional development: For teachers or other licensed personnel in one of the following areas: data-based decisionmaking, standards-based curriculum models, or job-embedded professional development activities that are research-based.
- Dropout recovery: Preventing at-risk students from dropping out of school; safety and security measures, which ensure that schools are free of drugs and violence; academic intervention for students who are in danger of failing any of the achievement tests, or for intervention with regard to the 3rd grade reading guarantee.
- Community outreach: To hire or contract for community liaison officers, truant officers or safety and security personnel; to implement programs to ensure that schools are free of drugs and violence; to provide academic intervention for students who are in danger of failing any of the achievement tests, or for intervention with regard to the 3rd grade reading guarantee.
- Class size reduction: To reduce class sizes to 15:1 in buildings with the highest concentration of need (Title I). After all Title I buildings are at a class size of 15:1, the funds can be used to reduce class size in other buildings.

If the district poverty index is less than 1.0 then districts must first use this funding to provide all-day kindergarten. After all-day kindergarten is funded, remaining funds may be used for intervention or community outreach as specified above or may also fund any of the following: the purchase of technology for instructional purposes for remediation; reduction of class sizes in grades K-3; summer school remediation; dropout prevention programs; guaranteeing that all 3rd graders are ready to progress to more advanced work; summer education and work programs; adolescent pregnancy programs; Head Start, preschool, early childhood education, or early learning programs; reading improvement and remediation programs; programs to ensure that schools are free of drugs and violence; materials used in the course instruction; and school breakfasts.

provide 45 percent of the cost of the special education weighted amount.⁷¹ However, the weights have never been fully funded; for instance, in FY 2006 and 2007, the weights are only funded at 90 percent.

Vocational education weighted amount provides additional funding to high schools. In addition to being counted as one student in the formula aid calculation, each vocational pupil receives additional weighted funding similar to special education funding. Students in workforce development programs receive a weight of 0.57, while those in other vocational programs are weighted at 0.28. Also, all students receive an additional weight of 0.05 for extra costs associated with vocational education. As with special education, the state provides funding for vocational education based on the state share percentage: the number of vocational education students is multiplied by their weights and the formula amount of \$5,283, and then this value is multiplied by the state share percentage to determine the amount of additional aid a district receives from the state for vocational education.

Additional adjustments are related to staffing. The state adjusts the amount of aid it contributes to a district based on the following factors:

- The student-teacher ratio: A potentially negative adjustment that applies only if a district fails to maintain the legally required 25:1 pupil-to-teacher ratio.
- The training and experience levels of the classroom teachers: A potentially positive adjustment based on the relative education level and experience level of a district's teachers. Districts with teaching corps above the state average in experience and education receive additional funds in proportion to their place in the salary schedule.
- Education service personnel: A potentially negative adjustment on the number of education service personnel a district has employed. Education service personnel include elementary school art, music, and physical education teachers; counselors; librarians; visiting teachers; school social workers; and school nurses. Failure to hire at least five educational service personnel, in the above categories for each 1,000 students in a district, results in a deduction in state foundation aid.

Gifted aid is provided in units. The state approves gifted funding for a district based on the district's plan for using the funds. If a district's plan is approved, the state funds gifted aid in the following manner: \$2,678 per unit plus the salary and benefits of the unit's teacher (based on the minimum teacher's salary schedule) plus a supplemental allowance that varies based on the state's share for the district. The supplemental unit allowance equals 50 percent of the average unit amount of \$5,251 plus the state share percentage times \$5,500. In FY 2006, state spending for the gifted pupil program totaled \$46.9 million, and in FY 2007 it totaled \$47.2 million.

Special education enhancements support out-of-school services. Funding for special education enhancements totaled \$134.2 million in FY 2006 and \$135.4 million in FY 2007. These funds primarily support special education and related services at county boards of mental retardation and developmental disabilities, educational service centers, and school districts with preschool special education units.

⁷¹ For example, if a district has seven learning disabled students (weight 0.3691) and two autistic students (weight 4.7342), the calculation of special education state funded amount would be:
 $((7*0.3691)+(2*4.7342))*5283*0.45$, where 0.45 is the district share.

Foundation program also funds transportation, parity aid, and charge-off supplement.

Ohio's foundation aid program includes the elements described above plus transportation funding, parity aid, a charge-off supplement, and excess cost supplement.

Ohio funds transportation in a manner that is intended to provide financial incentives for a district to operate with optimal efficiency. The state funds transportation on a per-pupil basis from a regression model that establishes a relationship between cost per pupil, daily miles per pupil, and percentage of pupils transported.⁷² A district's allocation is the cost per pupil based on this regression multiplied by the greater of 0.6 or the district's state aid percentage.

Parity aid provides extra funding to low-wealth districts to compensate for their having less capacity to support education with local revenue. Parity aid is provided on a sliding scale above the basic aid allocation to 80% of Ohio's poorest schools. Each qualifying district receives the difference between what 7.5 mills raise in a district at the 80th percentile and what 7.5 mills raise in the qualifying district.⁷³ For FY 2006 the 80th percentile wealth threshold was around \$159,000 per pupil and for FY 2007 it was around \$165,000 per pupil.

As noted previously, in its calculations of state funding, Ohio assumes that local districts levy 23 mills of property tax, plus an additional 3.3 mills for special education, vocational education, and transportation; however, state law establishes the levy floor, below which levy rates cannot fall, at only 20 mills. Given that HB 920 reduces millage rates as inflation increases property values, and given that local taxpayers are at times unwilling to approve millage increases, not all districts levy this assumed millage (23 mills plus 3.3 mills). The charge-off supplement (also referred to as gap aid) reconciles actual district revenues with the state's expectations for that district's revenue. The charge-off supplement is the amount by which a district's local share for the formula aid, special education and vocational education weighted aid, and transportation aid exceeds the district's local revenue for these elements. Then, the state makes up the shortfall. In previous years, when districts passed levies, they frequently lost the gap aid, resulting in a perverse incentive—some districts did not seek new levies. To counteract this, in FY 2007 districts that pass levies and had been receiving gap aid will lose gap aid over a three-year timeframe instead of all at once.

While the charge-off supplement eliminates phantom revenue for districts that levy less than 26.3 mills, the supplement does not eliminate all instances of phantom revenue. As noted above, the state assumes that districts levy 26.3 mills of property tax. The charge-off supplement is used to supplement the difference between the actual millage and the 26.3 mills the state assumes; however, it does not supplement any revenue losses associated with reappraisal for districts that levy more than 26.3 mills. For example, assume a district is levying 30 mills and reappraisal results in increased property values. Assume also that this increase in property values requires a reduction of the millage rate to 27, resulting in approximately⁷⁴ constant local revenues. However, at the same time, this reappraisal results in a decrease in state aid because the state calculates the local share by applying the 26.3 rate to the new property valuation (i.e., state aid,

⁷² The cost per pupil equation for FY 2006 was the following:

$79.94 + (192.26 * \text{daily miles per pupil}) + (124.19 * \text{percent of pupils transported})$.

⁷³ In other words, parity aid is calculated using the following formula:

$(\text{per-pupil wealth threshold} - \text{district wealth per pupil}) * 0.0075 * \text{Formula ADM}$.

⁷⁴ The HB 920 tax reduction does not apply to inside mills (mills that do not require a vote), so when property values increase, tax revenues do increase on inside mills. However, the maximum inside rate that can be levied is only 10 mills.

the difference between the foundation amount and the local share, decreases because the increase in property values increases the local share of the foundation amount). Therefore, local revenues stay relatively constant, but state funding declines, resulting in an overall loss of revenue. But gap aid does not apply because the district has maintained a millage of greater than 26.3. (For a more complete explanation and examples of phantom revenue, please refer to (Sobul 2005)).

State adjusts foundation aid for community schools, open enrollment, and other costs.

After the state determines the total foundation aid for a district, it takes several adjustments into account. First the state deducts for student attendance at community (i.e., charter) schools: if pupils who reside in a regular school district decide to attend a community school, then the resident district must transfer funds to the community school to support the students' education. Second, the state adjusts for open enrollment: if a pupil resides in one district but attends school in a different district, then the residing district must transfer funds back to the state. The state also provides adjustments for special education or vocational education services provided to pupils attending a district other than their district of residence.

Non-Foundation Funding

Outside of the foundation program, Ohio's K-12 education budget also supports programs to improve operational efficiency, enhance student and teacher success, and provide vouchers to students to attend private schools. These programs are described below.

Funding supports operations and efficiency. The K-12 education budget also supports the use of data analysis in decisionmaking and the deployment of resources to yield operational efficiencies at the district level:

- A total of \$1.3 million per year is provided for the Auditor of State to conduct performance audits to identify savings in the areas of financial systems, human resources, facilities, maintenance, transportation, and technology utilization, with priority given to districts in fiscal distress.
- School districts are required to use medical plans designed by the newly created School Employees Health Care Board.

Funding supports student success initiatives. The Ohio budget supports the work of the Governor's Commission for Student Success (described in more detail later in this appendix), which was tasked with identifying a plan to promote student achievement through high expectations, standards-based assessments, and accountability. The FY 2006 budget contained \$78.6 million and the FY 2007 contains \$87.6 million for continued development of academic content standards and curriculum models, student assessments, local report cards for schools and districts, and regional value-added specialists to train value-added specialists at the school- and district-level to track and measure individual student growth and progress.

Funding supports teaching success initiatives. The education budget also supports education reform as recommended by the Governor's Commission on Teaching Success (described in more detail later in this appendix), which was created to make recommendations for the preparation, recruitment, retention, and professional development of teachers. A total of \$34.2 million was allocated for these initiatives in FY 2006 and \$34.7 million was allocated in FY 2007. Key initiatives include funding to encourage national board certification; support the teacher-on-loan program (master teachers); fund mentoring for and assessment of entry-year teachers; and provide for the professional development institutes in math, science, and reading.

Funding supports educational choice scholarships. In FY 2007, the budget includes funding for a new initiative that provides scholarships of \$4,250 for grades K-8 and \$5,000 for grades 9-12 to parents of students who attend persistently failing schools, enabling them to choose to send their child to a more successful chartered, non-public school.⁷⁵

Capital Funding

In 1990, ODE commissioned the Ohio Public School Facility Survey, a comprehensive study of school facilities conducted by area architects (Ohio School Facilities Commission 2007a; Augenblick and Silverstein 2002; Ohio School Facilities Commission 2007b; *Education Week* 1998). This study determined that school facilities in Ohio would require \$5 billion in renovations and repairs and another \$5 billion in new construction. A 1996 report by the U.S. General Accounting Office ranked Ohio school buildings among the worst in the nation, indicating that Ohio students were more likely than those in any other state to attend unsafe or inadequate schools (United States General Accounting Office 1996). In 1997, in response to these findings, the state legislature approved the creation of the Ohio School Facilities Commission (OSFC) to provide funding, management oversight, and technical assistance to school districts throughout the state for the renovation and construction of school facilities. The commission's activities are managed within the general framework of the Rebuilding Ohio's Schools Initiative, adopted in 1999. The legislation created a partnership between the state and local school districts in the improvement of school facilities. In addition, it established programs that accelerated funding for urban districts. Projects undertaken by the commission are based on an overall plan that reflects the entire facility needs of an individual district.

Since 1997, over 480 buildings have been completed, another 300 are in design, nearly \$5 billion has been disbursed, and a total of \$6.9 billion has been appropriated. The current estimated appropriation for school building assistance in Ohio between 2000 and 2025 is \$4.52 billion (Ohio School Facilities Commission 2007b, 2007a). In 2006, \$9.3 million in non-general revenue funding and \$2.38 billion in bond issuances were allocated to the commission programs. In addition, surplus revenues from 2005 and the diversion of \$140 million of the tobacco settlement revenue also support the school construction activities.

In addition to the above funding for school renovation and construction, the FY 2007 budget contains \$10.7 million in funding to support maintenance of the new facilities constructed under OSFC programs.

State Context for Policymaking

As detailed below, education finance policymaking in the state of Ohio has been influenced by judicial challenges, education reform, the economic and budget climate, and the political environment.

Judicial Challenges and Basic Education Funding

The courts in Ohio have repeatedly found that the school finance system is inadequate because it relies too heavily on local property taxes, resulting in an inequitable distribution of

⁷⁵ Funding for this program is provided via a \$5,200 deduction from the participating students' resident districts' payment from the state, as students in this program are still counted in the ADM for their resident district.

educational opportunity (Maxwell and Sweetland 2002; Education Writers Association 2003; *Education Week* 1998, 1999, 2000; Parker and Rowland 2003; *Education Week* 2003). The section below provides detailed explanation of each of these legal challenges.

Cincinnati School District Board of Education v. Walter yields no changes. In 1976, the Cincinnati School District Board of Education challenged the constitutionality of Ohio's system of financing K-12 education, bringing suit against various educational agencies of the state of Ohio. The Common Pleas Court of Hamilton County ruled in favor of plaintiffs, with Judge Riley declaring that Ohio's public school funding system violated both the thorough and efficient and the equal protection and benefit clauses of the Ohio constitution. In addition, the judge ruled that certain portions of the school foundation program were inoperative and void.

On appeal, the Court of Appeals of Hamilton County agreed that the funding system violated the equal protection clause but disagreed that it violated the thorough and efficient clause. The defendants and plaintiffs appealed to the Ohio Supreme Court, which ruled that the system violated neither clause. Cincinnati tried one more time by appealing to U.S. District Court, Southern District of Ohio, Eastern Division, for an injunction, but the appeal was dismissed. The judge cited the U.S. Supreme Court's decision in *Rodriguez*, noting that education is a function of state and not federal government.

DeRolph I results in mandate for change. In 1989, the Coalition of Rural and Appalachian Schools hired Kern Alexander, a national school finance expert, to conduct an equity study. Alexander found wide spending disparities among Ohio districts, which led to the formation in 1991 of the Ohio Coalition for Equity and Adequacy. In that same year, the Ohio Coalition for Equity and Adequacy, on behalf of student Nathan DeRolph, charged in the Court of Common Pleas that the state was not providing students with an adequate education, citing both the equal protection and thorough and efficient clauses of the Ohio constitution (*DeRolph I*). The coalition consisted of 275 of the state's districts, many of them poor, rural districts. Immediately after the coalition filed suit, the state created an equity fund to help low-wealth districts. Despite this apparent effort, the coalition grew to nearly 300 districts by 1993 when the case went to court.

In 1994, Judge Linton Lewis ruled that the state system of financing education was unconstitutional. Then Governor George Voinovich ordered the state attorney general to file an appeal, resulting in the overturning of this decision in 1995 when the Fifth District Court of Appeals ruled that it is the general assembly's responsibility to determine school funding levels and only the Ohio Supreme Court can determine whether the system is constitutional. The Appellate Court ruling was appealed to the Ohio Supreme Court. In March 1997, the Supreme Court concluded that many parts of Ohio's school finance system were unconstitutional, ordering a "complete, systematic overhaul" of the funding system within 12 months. Specifically, the court found that:

- the state's aid program was being driven by budgetary constraints rather than student needs;
- the system was overly reliant on local property taxes and promoted interdistrict inequities;
- the system forced some districts to borrow funds to meet operating expenses; and
- classroom facilities were severely under-funded and in need of renovation.

The court linked the fundamentality of education to the “inalienable right” of enjoying and defending life and liberty; acquiring, possessing and protecting property; and seeking and obtaining happiness and safety. Therefore, the disparities in funding denied plaintiffs the equal protection and benefit of the law. The court also concluded that the system deprived students of the thorough and efficient education guaranteed by the state constitution, citing students’ failure to meet proficiency test standards.

State response to *DeRolph I* involved new base funding and special funding sources. In response to the *DeRolph I* ruling, the legislature revised the way it determined state aid⁷⁶; created the Schools Facilities Commission to fund school construction and maintenance; enhanced funding of categorical programs; established a new accountability system; and established a School Solvency Assistance Fund to lend money to cash-strapped districts. Many of these changes helped urban districts, but some lawmakers warned that they would not continue to put money into urban districts without seeing improvements.

***DeRolph II* again finds the system unconstitutional.** In 1998 and 1999, the case was remanded to trial court. In 1999, Judge Lewis again found the funding system unconstitutional. Ohio lawmakers appealed the ruling and boosted education spending. The Ohio Supreme Court subsequently ruled that the new system still violated the constitution (*DeRolph II*, decided on May 11, 2000). Writing the majority opinion, Justice Alice Robie Resnik said that while some progress had been made, none of the factors that made the system unconstitutional had been changed. While the court did not mandate specifics, it highlighted the following areas for improvement:

- reducing reliance on property taxes;
- increasing basic aid;
- improving school facilities;
- restructuring the School Solvency Assistance program;
- funding all state mandates;
- eliminating so-called phantom revenue; and
- adopting strict, state-wide academic guidelines.

The court gave the legislature one year to remedy these issues.

⁷⁶ To develop a new state aid formula, the state turned to John Augenblick, a school-finance expert. Augenblick used the “successful schools model” to arrive at a new base level of funding. The model defines adequate spending as the average spending levels of all the districts that meet some set of performance targets. Augenblick recommended removing districts that ranked in the top and bottom 5 percent in terms of property wealth or the top and bottom 10 percent in terms of income from the model. The new minimum spending level, as determined by Augenblick’s method, was \$4,269 per pupil. This base amount was well above the base amount at that time of approximately \$3,500 per child. Consequently, the legislature opted to adopt a much lower base amount of \$3,852 per pupil to be increased to \$4,414 over the course of several years (by 2002). Some said the “phase-in” was developed to avoid increasing taxes in an election year. According to William L. Phillis, the executive director of the Ohio Coalition for Equity and Adequacy of School Funding, by ultimately choosing to adopt a base much lower than the consultant’s recommended amount, legislators showed that they were still calculating school funding by “budget residual,” or “determining arbitrarily that they’re going to spend X-dollars and backing into it.” Phillis continued, “And then these people have the gall to go to the court and say they’ve solved the problem. . . . It would be funny, except that it’s a serious situation.”

***DeRolph II* response includes new academic standards and tests, parity aid, and special education funding.** In response to *DeRolph II*, a 16-member joint legislative committee was charged with developing a funding solution that would satisfy the court mandate. Governor Taft indicated that the legislature would likely address most of the school funding issues in the spring as a part of the budget process. But in an early move tied to the court decision, he supported measures to eliminate requirements that schools maintain a cash reserve of 5 percent of their budgets and lowered the amount districts are required to set aside for textbooks and building-maintenance costs.

The legislature responded by creating new academic standards and tests, a parity aid subsidy, and a weighted special education funding formula. On May 30, 2001, the Ohio House and Senate approved a \$45 billion state budget, which included a \$1.4 billion increase in K-12 education spending over two years. Critics of the plan claimed that while increasing overall spending, the plan did little to help students most in need, especially in urban and rural districts. And the plan also did not change the system's reliance on local property taxes.

***DeRolph III* requires additional funding.** In 2001, the Ohio Supreme Court once again reviewed the state's school finance system (*DeRolph III*) and ruled that the state had addressed most of the issues laid out in *DeRolph II* and only needed to make minor improvements to meet the court's standards. In what many viewed as a compromise ruling, the court backed away from earlier decisions that called for a complete overhaul of the state's property-tax-reliant school finance system. Instead, the court ordered the legislature to increase annual per-pupil spending and to speed up the implementation of a program that would provide new state aid to low-income school districts. Lawmakers estimated that it would cost as much as \$1.2 billion over two years to fulfill the court's mandates—a price tag some said was too steep during an economic downturn. The state requested that the court reconsider its decision (and reduce the cost). The court reconsidered but, rather than issuing another decision, ordered the parties to mediation with a special master appointed by the court. However, meaningful negotiations never began, and in March of 2002 the special master reported to the court that the mediation had failed. The court put the case back on the docket for decision.

***DeRolph IV* finds that the funding system is still unconstitutional.** In December 2002, the Court again charged that the current system did not meet the *thorough and efficient* standard (*DeRolph IV*). The ruling became effective immediately. In its decision, the court wrote that the Ohio general assembly was required to create a “thorough and efficient system of public schools.” By this time, the state was facing serious budget shortfalls. While acknowledging the state's financial problems, Justice Paul Pfeifer wrote, “The constitution protects us whether the state is flush or destitute.” Yet the court did not retain jurisdiction over the case. This means that the general assembly faced no judicial consequences for delaying the restructuring of the school funding system.

***DeRolph IV* response not supported, cost-cutting measures implemented instead.** In early 2003, Governor Taft announced the appointment of a task force to develop a new funding plan. However, shortly after that announcement, the legislature rejected his plan to close a \$720 million deficit with a variety of new taxes, resulting in the need to cut basic aid to schools. The 2004-2005 budget therefore was less of a response to the court ruling than a series of cost-cutting measures. Major education-related changes in the budget included the following:

- reduction in base cost inflation from 2.8 to 2.2 percent;

- removal of required recalculation of base cost every six years;
- end of use of 3-year ADM if greater than current ADM;
- reduction in parity aid phase-in percentages;
- increase in threshold for qualifying for cost supplement; and
- reduction in stipends for National Board of Professional Teaching Standards (NBPTS) certified teachers.

Governor convenes a blue ribbon commission on school finance. In 2003 Governor Taft convened the 35-member Blue Ribbon Commission on School Finance and charged them with developing an improved system of funding public K-12 education in Ohio (Governor's Blue Ribbon Task Force on Financing Student Success in the State of Ohio 2005). In their 2005 report, the Task Force provided 18 recommendations, which it noted were to be taken as a package and not piecemeal. It also noted that members had “not achieved unanimity on either the levels of funding that should be provided for today’s education system, or the tax structure that best provides that funding,” and indicated that work should continue on that front. While implementing their recommendations might improve the current system, it did not provide for a complete system overhaul. The recommendations the task force highlighted include the following:

- eliminate phantom revenue by allowing local districts to experience the growth, with a cap, in local revenues that are factored into the state’s funding formula;
- revamp the state’s overall tax structure to enable Ohio to be more competitive in the global economy, thus providing a more stable and growing revenue base for school funding;
- change the assignment of counties within the current six-year reappraisal cycle and update values every two years instead of every three years;
- target funding to districts and students most in need;
- establish an input-based funding methodology that uses “evidence-based” strategies, services, and programs that are proven effective in enhancing student success, including the need for data-based decisionmaking, professional development, and student interventions;
- fully fund parity aid and special education weighted funding;
- require performance audits for all school districts on a regular cycle;
- consult with others on consolidating health insurance purchasing for public school employees; and
- support the recommendation from the Commission on Teaching Success and support the work of ODE regarding improving regionalization.

While some of these recommendations have been implemented (as detailed below) they have not been implemented as a package as directed by the task force.

2006-2007 budget seen as legislature’s response to *DeRolph IV*. The legislature’s 2006-2007 budget consisted of a variety of modifications to the education finance system and method

for calculating the base cost of education, some of which correspond with recommendations from the Governor's Blue Ribbon Commission Report. These changes included:

- discontinuing the use of the successful schools (output) based method for determining the base cost of education and replacing it with an input calculation that consists of the cost of teachers, personnel support, and non-personnel support, resulting in an overall increase in spending of 2.2 percent;
- initiating the allocation of money to additional building blocks consisting of professional development, intervention, and data-based decisionmaking;
- funding parity aid at 100 percent, although the parity mills were decreased from 9.5 to 7.5;
- replacing Disadvantaged Poverty Impact Aid (DPIA) with Poverty Assistance for all-day kindergarten, class size reduction, intervention, limited English proficiency, teacher professional development, dropout prevention, and community outreach; and
- adding a second student count later in the year that may ultimately lower student count totals and reduce funding.

In defense of the budget actions, Republicans noted that overall education spending had increased \$7 billion in the past decade (Siegel and Smith Richards 2005). However, education advocates countered, state aid was rising by just 2.2 percent per year in the new budget. In addition, in an effort to revitalize the economy, the state voted to phase out the tangible personal property tax—an assessment on equipment, inventory and furniture that provided \$1.2 billion a year to schools and made up at least 20 percent of the tax base for 139 districts. The state guaranteed it would compensate the districts for lost personal property taxes for five years. But after that, districts will presumably have to recoup these resources from local taxes. In addition, the budget does not address phantom revenue. However, districts were given a new option: a real-estate tax levy that could grow up to 4 percent each year as property values increase to cover the cost of lost state money. Finally, lawmakers passed a measure to phase out the cost-of-doing-business factor, the part of the formula that provides up to a 7.5 percent funding boost to districts, particularly in urban regions, to compensate for higher labor costs.

In sum, these court cases have failed to produce a significant decrease Ohio's reliance on property taxes for education revenues. While total education expenditures in Ohio exceed the national average as does the percent of students funded at or above the national average, the interaction of the variation in taxable wealth and the state finance system's reliance on property taxes results in inequitable education spending across the state. According to the most recent issue of Quality Counts, Ohio's wealth neutrality score (the relationship between education revenues and local property wealth) is worse than the national average, resulting in Ohio ranking 29th among all states on this measure (*Education Week* 2008). Similarly, the McLoone index for Ohio, which measures actual spending as a percent of the amount needed to bring all students to the median level, is also worse than the national average, with Ohio ranking 35th among all states on this measure. Ohio also has a relatively high coefficient of variation (a measure of the disparity in funding across school districts in a state), resulting in a rank of 33rd among all states. In sum, while some districts in Ohio have a sufficient tax base and/or a supportive community and are able to raise sufficient local funds to bring the per-pupil expenditures up to or above the

national average, many communities are not able to raise such local resources. And, these communities which are unable to raise such resources, are primarily those with the greatest percent of poor and needy student; in other words, precisely the districts who need such revenues the most. Despite the four court rulings, Ohio's finance system, with a foundation amount established through residual budgeting and a precarious reliance on local revenues and regular passage of levies, fails to ensure equity, adequacy, and sustainability of education funding in Ohio.

Education Reform

Ohio education reforms have focused on increasing participation in early childhood education, school choice, improving teacher preparation and licensing, addressing the achievement gap, and improving the state's standards and accountability system (Achieve 1999; *Education Week* 1997). Overall, these efforts have been fruitful (Achieve 2006). In almost every grade level and subject area, both average and absolute test scores have risen. In addition, traditionally disadvantaged groups, including African Americans, Hispanics, and economically disadvantaged students, have made gains at rates faster than the average Ohio student. Ohio's students also perform well in comparison with other states, with National Assessment of Educational Progress (NAEP) scores in math, reading, and science that are above the U.S. average for both 4th and 8th grades. Ohio ranked 10th among U.S. states on *Education Week's* comprehensive achievement index, which includes overall NAEP performance, Advanced Placement test scores, and graduation rates. Despite these improvements, persistent achievement gaps remain for economically disadvantaged, African American, and Hispanic students, especially those in urban districts. Finally, while the achievement gap is decreasing, it is not doing so as quickly as Ohio needs, as is demonstrated by the growing number of schools and district that have not met AYP. So, while Ohio has made substantial improvements, additional work remains.

Standards and accountability system development spans 20 years. Ohio has been working on its state standards, assessments, and accountability systems since the 1980s (Legislative Office of Education Oversight 2000; *Education Week* 1997). In 1987, the general assembly established the first of Ohio's statewide assessments, the 9th grade proficiency test. The first 9th grade proficiency test was administered in 1990. Passing the 9th grade proficiency tests in reading, writing, math, and citizenship became a graduation requirement. Over the years, the state also developed 4th, 6th, and 12th-grade proficiency tests. The 4th and 6th grade tests were designed to serve as "early warnings" while the 12th grade test measured what students knew by the end of high school (although it had no bearing on whether they graduated).

In 1988, ODE convened subject-area panels of educators to develop "Learning Outcomes" in mathematics, reading, writing, and citizenship (Legislative Office of Education Oversight 2000). The purpose of the Learning Outcomes was to inform the test developers of the content and skills to be measured by the test. In addition, in 1989 ODE began to develop model competency-based education programs, referred to as the Model Curriculum. Initially, districts were required to have their local courses of study "compare satisfactorily with the context of the Model Curriculum," but this requirement was dropped in 1994, and the Model Curriculum remains voluntary today.

In 1997 Ohio adopted a set of policy changes that required all students to pass a more demanding set of proficiency tests for high school graduation in five subjects⁷⁷ and to take a more challenging load of academic courses (Legislative Office of Education Oversight 2000; *Education Week* 1998; Achieve 2006). At the same time it adopted an ambitious set of 18 performance standards, 16 of which are tied to pass rates on the state's proficiency tests.⁷⁸ Ohio also instituted a 4th grade reading guarantee, a new school district rating system based largely on the performance tests, and new state-issued public report cards on school districts and schools based largely on educational and fiscal performance data (Achieve 1999).

Despite these efforts, a 1998 study conducted by the Ohio Business Roundtable and the Department of Education in conjunction with American College Testing indicated that only one Ohio student in fourteen was leaving high school well-prepared to participate in Ohio's emerging knowledge-based economy, and in none of the four tested skill areas could a majority of noncollege bound students demonstrate the requisite competence⁷⁹ (Achieve 1999). This report highlighted the need to strengthen teaching of physical sciences, but its major message was that all students, not just college-bound, need to be given a more rigorous academic program.

Ohio then asked Achieve, Inc., a national nonprofit organization created by governors and corporate leaders to work with states on standards and performance, for a comprehensive review of its education reform policies (Achieve 1999). Achieve, Inc.'s 1999 report indicated that while Ohio had proficiency tests, it did not have clear state-wide academic standards that could be used to guide curriculum, instruction, and professional development. It also noted that Ohio's accountability system offered neither incentives for success nor sanctions for failure, condemning low-performing districts to a "lifetime of continuous planning without providing any recourse for parents if the schools do not in fact get better." In addition, because the accountability system applied to school districts, the performance of a failing school could be masked by surrounding high-performing schools (although they noted that the school level report cards at least provided parents with school data). The report concluded that Ohio needed a set of clear, specific, and measurable academic standards and proficiency tests and end-of-course examinations for high school students that are aligned with these standards. The report also recommended that, after a reasonable period of on-the-ground assistance, poor performing schools should be closed, the state and district work on reconstitution strategies, and parents be provided with choices to enroll their children elsewhere. Finally, the report encouraged the department of education to work with universities and other experts to provide technical assistance and professional development to help districts meet the standards.

Following close on the heels of the Achieve report, Governor Taft named a Commission on Student Success, made up of educators, state officials, and business people, and charged the commission with recommending how the state should hold students and educators responsible for academic achievement and how it should measure annual student progress (*Education Week* 2001).

⁷⁷ This test, administered in 10th grade and effective in 2007, replaced the 9th grade proficiency test. Students must pass tests in all five subjects to graduate, although there is a provision to allow graduation while failing one subject provided students meet other academic criteria. Students have up to seven opportunities to pass the test.

⁷⁸ The other two are associated with attendance rates and dropout rates.

⁷⁹ The four key skill areas consisted of applied mathematics, reading for information, applied technology, and locating information. The desired skill levels were established to correspond with those necessary for jobs typically sought by vocational and general track students.

In addition to a new system of assessments and standards, the commission's December 2000 final report, *Expecting More: Higher Achievement for Ohio's Students and Schools*, recommended that the state develop (Governor's Commission for Student Success 2000):

- clear, rigorous, and reasonable academic standards;
- a system of assessments to measure how students are performing against standards;
- intervention strategies that produce lasting improvements in student learning, including curriculum guidelines and research-based best practices; and
- an accountability system that rewards success and provides supports but does not tolerate failure.

The commission also recommended (1) developing a commission on the teaching profession to assist in the creating of policies, strategies, and incentives to attract, prepare, and retain quality teachers, and (2) replacing the 4th grade reading guarantee with a 3rd grade guarantee and including intensive instruction and individual intervention for students who do not pass.

From 2001 to 2004, the state made sweeping changes to Ohio's K-12 standards, assessments, and accountability systems as outlined by legislation (Senate Bill 1 of the 124th general assembly) passed in 2001 (*Education Week* 2003; Achieve 2006).

- New standards were adopted in reading, writing, and mathematics in 2002-2003 and new standards were developed for science, social studies, fine arts, foreign language, and technology.
- Ohio lawmakers dropped the state's controversial reading guarantee program for 4th graders, and instead instituted a reading-achievement test for 3rd graders.
- New achievement tests were added for students in grades 5, 7, 8, and 10, and ODE developed lessons and unit plans for core tested subjects as part of its model curricular framework.
- The legislature expanded accountability ratings to apply to schools as well as districts, increased the frequency of ratings, and mandated interventions for the poorest-performing schools and districts.
- In response to requirements of NCLB, new laws also required ODE to publicly report data for every district by race, ethnicity, gender, and disability in local report cards for the first time in 2002, adding subgroup performance to the state's accountability system.

Ohio received an A for its standards and accountability system in *Education Week's* 2005 Quality Counts report⁸⁰ (*Education Week* 2005). The report noted that the state had clear and specific standards in a number of subjects and grades and that it was one of only 14 states that had standards-based exams in each core subject for every grade span. The report also noted that the state published test data in school report cards, assigned ratings to schools based in part on test scores, and used the ratings to target assistance or sanctions. Since 2004, ODE has continued to work on lessons, unit plans, model curricula, diagnostic assessments and achievement tests

⁸⁰ In 2007 and 2008, Quality Counts again awarded Ohio with an A for its standards and accountability system and ranked the state 7th among all states on this measure (*Education Week* 2007, 2008).

and has developed standards-based alternate assessments for students with disabilities (Zelman 2005).

As of 2006, the Instructional Management System (IMS), a web-based resource to help teachers and educators creatively teach Ohio's Academic Content Standards, contains more than 800 English language arts, mathematics, science, social studies, fine arts, foreign language, and technology lessons (Zelman 2006). The IMS also includes assessments, research and resources, and programmatic improvement recommendations.

In the 2005-2006 school year:

- parents, teachers, principals, and superintendents received customized score reports on student test scores using student-level data for students in grades 3 through 8;
- Ohio's kindergarten through 3rd grade teachers gained access to a web site on Ohio's diagnostic assessments for reading, writing, and mathematics to help them interpret student test scores and select remediation activities;
- Ohio took steps toward incorporating a value-added assessment element into its accountability system;⁸¹ and
- the Ohio legislature developed the P-16 Partnership for Continued Learning to make recommendations for improving workforce development by improving coordination between the Ohio State Board of Education and the Ohio Board of Regents.

Over the coming years, ODE will review and update all of the state's academic content standards and will develop the High School Program Models, which will offer schools proven ways that standards can be organized and taught through a sequence of courses.

Early childhood education: once strong, now stalled. In his first State of the State Address in 1991, then-Governor Voinovich declared his commitment to the health and education of Ohio's children (Achieve 1999; *Education Week* 2002). The only way to break the cycle of poverty, drugs, and crime, he said, is "to pick one generation of children—draw a line in the sand—and say: 'This is where it stops.'" In the 10 years following that speech, which signaled the start of a state-wide effort to improve and expand services for young children, Ohio made substantial progress. In 1990, the State established the Public School Preschool Program (PSP) after a successful 4-year pilot initiative. This program awards public schools funds to provide private child care centers and to contract with Head Start. By 1999, Ohio had the highest proportion of low-income youngsters enrolled in Head Start of any state in the nation. By 2001, Ohio led the nation in its support for Head Start: state aid for the federal preschool program for poor children soared from roughly \$4 million in 1990 to almost \$101 million in 2001. As a result, the Ohio branch of the Children's Defense Fund reported that in 2001 more than 70

⁸¹ Value-added data was first released in 2005 for 3rd and 4th grade reading and mathematics achievement test results. Value-added specialists, identified by districts and community school sponsors, use the data in training that is being provided through a partnership between Battelle for Kids, a nonprofit consulting firm focused on helping schools with their school improvement efforts, and ODE. These specialists are available to help with any questions educators may have on value-added data. Districts and schools receive value-added data at the district, school, grade, and student level and Local Report Cards incorporate the value-added growth measure as the fourth component of Ohio's accountability system for all schools testing students in 4th through 8th grades.

percent of eligible 3- and 4-year-olds in the state participated in Head Start. In contrast, federal Head Start dollars provided enough slots to serve only 45 percent of eligible children nationally.

After a decade of progress, the state faced a crossroads in 2001-2002. Pressed by a downturn in the economy, as well as a state Supreme Court mandate to improve K-12 schools, the state cut funding for Head Start in 2002. While Ohio continued to operate a separate state-funded Head Start initiative until 2005, state supplemental funds were reduced significantly over time. In 2003, the legislature cut eligibility levels for childcare and Head Start subsidies, eliminated 7,672 part-day state Head Start slots, increased co-pays for low-income families, and froze or cut provider reimbursements (Corlett and McClung 2004).

Of most significant concern to some Head Start supporters, however, was a switch in the source of funding for early learning programs: lawmakers decided to stop using general state revenues to supplement Head Start and instead use money from the federal Temporary Assistance for Needy Families (TANF) program (Barnett et al. 2006). These funds carry more stringent eligibility requirements, and the result was a large drop in enrollment in preschool programs between 2002-2004. In 2005-2006, Ohio completely eliminated its Head Start initiative, replacing it with the Early Learning Initiative (ELI) funded completely by TANF dollars. The primary goal of these funds is to support working families, and while the ELI has an educational component, the National Institute for Early Education Research has decided that ELI does not meet its criteria for prekindergarten education programs.

On the basis of Ohio's Public School Preschool Program (PSP) alone, the institute determined that Ohio ranked 33rd out of 38 states for the percentage of its 4-year-old population enrolled in the State's preschool program in 2006 and 20th on the same measure for the 3-year-old population. (Twelve states have no program.) In total, the state program enrolled 8,102 children and cost \$19 million or \$2,345 per child enrolled. The National Institute for Early Education calculates that this per-child expenditure ranks the state in spending at 32nd out of the 38 states with programs.⁸²

School choice involves vouchers, charters, and public school choice. Another element of education reform in Ohio involves school choice, including vouchers, charters, and public school choice (*Education Week* 1998, 2000). In 1995, HB 117 authorized a pilot voucher program in Cleveland. In 1997, Governor Voinovich expanded Cleveland's voucher program to 3,000 students, even though a state appeals court ruled the previous summer that the program violated the constitution. In June 1999, lawmakers passed a first-ever education-only budget that revived the 3,800-student program the Ohio Supreme Court had invalidated just weeks earlier.⁸³ As

⁸² It should be noted, however, that these figures do not include the TANF dollars legislators have directed to the Early Learning Initiative (Ohio Office of Budget and Management 2005). Ohio's TANF Spending Plan in the 2006-2007 budget called for approximately \$100 million to be spent each year and for yearly enrollment of 10,000 children in 2006 and 12,000 children in 2007. If projections are met and a dollar of ELI funding equals a dollar of PSP funding, then Ohio's per-child expenditure would rank it approximately 6th for spending. As of December 10, 2006, the ELI program was serving 9,361 children or (approximately 80 percent of its goal for 2007). Critics have complained that the current welter of programs is confusing for parents and has resulted in 50,000 children failing to register for either a state or federal program (Stephens 2007).

⁸³ In a May 1999 decision, the court said the legislature acted unconstitutionally when it created the voucher program through a provision in the 1995 state budget rather than through separate legislation. But, because the justices rejected arguments that the program violated federal and state prohibitions against government aid to religion, voucher supporters downplayed the ruling as addressing a technicality. Legislators then re-established the program through the education budget rather than through the state budget as a whole, and in so doing, contended

noted previously, in the 2005-2006 school year, approximately 5,700 students participated in the Cleveland voucher program.

In addition to Cleveland's voucher system, the legislature has enacted the Ohio Education Choice Scholarship Program (EdChoice), a statewide voucher option whereby children whose public schools have been in Academic Emergency for three or more years may opt for private schooling (Duffett and Farkas 2005; Ohio Department of Education 2007a; Coulter 2006; Achieve 2006). The scholarship provides \$4,250 for students in grades K-8 and \$5,000 for students in grades 9-12. In 2006, the Ohio legislature expanded this program to students in schools that were in Academic Watch or Academic Emergency. While EdChoice involved only 2,900 students in the 2006-2007 school year, the program had been appropriated funding for up to 14,000 students per year and is available to over 100,000 students in 213 traditional public schools

Charter schools, or community schools as they are called in Ohio, are also a part of the reform landscape in Ohio (Ohio Department of Education 2007c; National Charter School Research Project 2006b, 2006a; Kids Ohio 2006). In June of 1997, Ohio began a "pilot" community school program in Lucas County. Additional legislation over the years has expanded the community school program, and currently more than 300 community schools exist in Ohio. Under the current program, the state board of education is an authorizer of community school sponsors: sponsors include public school districts, education service centers, public universities in Ohio, and 501(c)(3) nonprofit organizations. While the legality of the charter program in Ohio continues to be challenged in court, in the 2005-2006 school year, 72,052 students attended charter schools throughout Ohio. Those numbers represent approximately 13 percent of all Ohio public schools and 4 percent of all students in Ohio public schools. The number of students attending charter schools is a significant minority in some of Ohio's larger districts like Dayton (28 percent), Youngstown (20 percent), Cincinnati (17 percent), Toledo (18 percent), Cleveland (16 percent) and Columbus (11 percent).

In 2005-2006, ODE estimated that it provided \$484 million to charter schools (Kids Ohio 2006). Ohio has established the same minimum per-pupil funding amount for charter schools as for traditional public schools, however, in traditional public schools, local taxes provide for some of this amount, while for charter schools the state supplies the entire amount. In addition, charter schools are eligible for state and federal categorical funds.

Finally, in 1989, Ohio enacted an open enrollment law (Legislative Office of Education Oversight 1998). Ohio's open enrollment law (1) requires that districts allow parents to choose which building their child will attend within their own district (intradistrict) and (2) the board of education of each school district must decide whether to allow the enrollment of students from outside the home district (interdistrict). With regard to interdistrict enrollment, the policy options include entirely prohibiting open enrollment of student from adjacent and other districts, allowing enrollment of students from adjacent districts, or allowing enrollment from adjacent and other districts throughout Ohio. In 2007, of the 622 districts in Ohio, 173 prohibited open enrollment, 118 allowed adjacent open enrollment, and 371 allowed state-wide open enrollment (Ohio Department of Education 2006).

that the program passed state constitutional muster. A coalition of groups challenged the program again in July 1999. In 2002, after a series of legal twists and turns, the U.S. Supreme Court upheld the constitutionality of the program (National School Boards Association 2007b).

Licensing seeks to promote teacher, principal, and training institution quality. Over the past 10 years, Ohio has attempted to improve the quality of its teaching force through new certification/licensure standards for teachers, new accreditation standards for teacher training institutions, funding for National Board Certification bonuses, and development of standards and evaluation practices.

New certification and licensure standards include (*Education Week* 2000, 2003, 2004; Achieve 2006):

- All teacher-candidates must be provided veteran teachers as mentors and undergo classroom performance evaluations to qualify for professional licenses.
- New teachers must work with professional development committees in their districts to craft specially tailored plans for continued professional study.
- Beginning teachers are given a provisional, two-year license and must pass the Praxis III performance assessment to earn a professional teaching license.
- The state requires its middle and high school teachers to pass subject-matter tests before they enter the classroom.
- All incoming teachers are required to earn master's degrees in their subject areas within 10 years, or obtain the equivalent number of credit hours.

Ohio also provides funds to pay the application fees of teachers who seek certification through the National Board for Professional Teaching Standards. For teachers who become certified by the board, the state offers annual stipends. Ohio has implemented and funded a 2-year induction program for principals.

In addition to teacher certification and licensing, beginning in January 1998, all institutions that prepare teachers had to meet accreditation standards set by the Washington-based National Council for Accreditation of Teacher Education (*Education Week* 2004, 2003; Zelman 2002).⁸⁴ Also, the state holds its institutions of higher education accountable for how well they prepare teachers. The institutions' education students must have passing rates of 80 percent or higher on the subject-matter licensing tests for teachers and 85 percent or higher on the Praxis III exam. Lastly, in 2001, the state published and distributed the first Teacher Education Report Card, which reported on the 51 teacher preparation programs in Ohio.

In 2001, Governor Taft convened the Commission on Teaching Success, a statewide task force charged with examining teacher recruitment and preparation, teacher support and retention, professional development, and principal support for teachers (Governor's Commission on Teaching Success 2003). Their recommendations included:

- adopting clear standards for what teachers and principals should know and be able to do, and developing a framework for districts to follow when creating evaluations systems;
- establishing an integrated, data-driven, state-wide plan to assist school districts in recruiting and retaining high quality staff;

⁸⁴ Accreditation renewal is required every five years.

- expanding the pool of high-quality teachers and principals through more effective use of the state’s higher education system;
- improving teacher retention by creating supportive environments and time during the school day for ongoing, job-embedded professional development;
- raising the minimum salary for beginning teachers and assisting school districts in developing and implementing new compensation systems that are linked to standards-based evaluations and that include options for tiered career paths;
- working to ensure that teacher and principal preparation programs are aligned with classroom needs by funding clinical and field experiences;
- increasing opportunities for qualified individuals to become teachers and principals through alternative routes;
- requiring and funding induction experiences for all new teachers and principals;
- adopting statewide standards for professional development, requiring and funding focused data use and professional development aligned with standards, and supporting teachers who pursue National Board Certification; and
- appointing a task force on regional service delivery.

Several of the commission’s recommendations were enacted in 2004 including the creation of the Educators Standard Board, which is charged with developing standards for what teachers and principals should know and do, creating professional development standards, and developing guidelines for evaluating teachers and principals (Governor's Blue Ribbon Task Force on Financing Student Success in the State of Ohio 2005; Governor's Commission on Teaching Success 2003; Achieve 2006; Ohio Legislative Service Commission 2003). Legislation also required that the curriculum of teacher preparation programs be aligned with Ohio’s academic content standards and that preservice preparation programs include a focus on using value-added data. In 2004-2005, the Educator Standards Board developed teacher standards, principal standards, and professional development standards, and the teacher standards and professional development standards were subsequently adopted by the Board of Education in 2006 (Zelman 2005, 2006). Unfortunately, most districts have not yet adopted these standards. Lastly, the state has worked to develop alternative routes to teacher certification, especially for individuals with experience in math, science, and special education.

ODE is continuing its work on improving teacher and principal capacity (Achieve 2006):

- ODE, in partnership with the Buckeye Association of School Administrators and other stakeholder groups, established the Ohio Leadership Advisory Council to identify a coherent system of leadership development and support for all districts.
- Ohio started a research study with the 50 teacher-preparation institutions in Ohio to determine the characteristics of programs that most impact student achievement.
- ODE and the Ohio Educator Standards Board proposed a career lattice framework that emphasized alignment with the standards and a focus on student achievement.

Reforms associated with closing the achievement gap include standards, supports, and structural changes. In 2001, the state board of education established the goal that by 2005 Ohio

would lead the nation in improving student performance, especially in closing achievement gaps among students (Ohio State Board of Education 2003). In October of 2002, the state board established a task force to study achievement gaps in Ohio. The 27-member task force of educators, parents, business leaders, community leaders, and policy leaders issued a report containing three general and 23 specific recommendations. The 3 general recommendations include:

- focusing attention on getting all students to achieve high academic standards (including modifying the accountability system to focus on demographic groups);
- preparing and supporting teachers and administrators; and
- adapting the structure of public education so that all students learn.

ODE launched the State Superintendent's Schools of Promise Initiative in 2003 in response to the fifth recommendation in the report: "Build upon the successes of Ohio schools that are closing achievement gaps and generating high achievement for all students." The initiative involves collecting information on how the successful schools with large numbers of poor students address critical issues and providing other schools with opportunities to learn from these schools (Ohio Department of Education 2005b). Qualifying schools must have at least 40 percent poverty and have 75 percent of students in each subgroup category pass the state's achievement test. In the first few years of the program, state analysts attempted to identify themes common to these schools in terms of how they used their resources differently or more creatively, how leadership differed, and the types of community involvement they had. A few years into the program, a team of third party researchers was hired to investigate the same issues.

Some common practices seen across the Schools of Promise include:

- professional development and curriculum aligned with the implementation of a standards-based education;
- restructured school schedules; and
- experimentation with weighted-student funding.

In 2005-2006, Ohio also instituted the Schools of Distinction Program, which recognizes schools showing outstanding progress in the achievement of students with disabilities.

Other reforms promote innovation and best practices, provide planning and instructional assistance, and improve ODE organization and performance (Zelman 2002, 2005, 2006). Over the past several years, ODE has supported activities to promote innovation and best practices through supporting the Baldrige approach for school improvement through training and deployment grants totaling \$1.2 million and working with foundations and education stakeholders to conduct research on best practices in high school redesign and obtain funding to support redesigned high schools

The state of Ohio has also provided planning and instructional assistance to districts and teachers, as noted below:

- conducting site evaluations of districts in academic emergency and developing three self-assessment tools for districts and a regional planning tool for regional service providers;

- initiating the Program Audit and Compliance Tracking System, which is designed to assist school districts in determining whether they are in compliance with all requirements for federal entitlement and competitive programs;
- implementing the STARS web-based data collection system, designed to track and allow alignment of technical assistance and professional development provided to districts through ODE;
- implementing the Education Management Information System, designed to provide districts data on student performance, and the Statewide Student Identification System, developed to monitor student mobility and academic performance; and
- developing various other systems and materials to support educator capacity.

Finally, ODE has engaged in activities to improve its internal organization and performance. In 2002, the agency adopted the Baldrige Model as a foundation for developing a high-performing organization, undertaking actions to improve its performance relative to leadership, strategic planning, customer focus, information and analysis, human resource focus, process management, and organizational results. ODE has also worked to decrease the time required to approve Comprehensive Continuous Improvement plans, respond to district questions, and release categorical funding to districts.

Achieve, Inc. provides system-wide reform proposal. In February of 2007, Achieve, Inc. published a report designed to help Ohio create a world-class education system (Achieve 2006). Based on research on many of the world's highest-performing education systems, Achieve identified three characteristics of these high-performing systems: high challenge, high support, and aligned incentives. To support the three characteristics of a high-performing education system, they recommend implementation of seven best practices:

- Ensure readiness for college and the global economy by continuing to raise Ohio's standards and improve assessments, aligning expectations for high school graduation and college entrance, and replacing local high school final exams with state-wide end-of-course exams for core subjects.
- Empower principals to function as instructional leaders by providing them with time, resources, and authority to lead; developing rigorous evaluation systems; and offering performance incentives.
- Align clear expectations for teachers with evaluation, professional development, and consequences, including moving toward a professional learning approach that is job-embedded, ongoing, data-driven, and built into a school's weekly schedule.
- Motivate and support students to meet high expectations by addressing their unique needs, including diagnosing academic and non-academic needs, providing interventions, and creating incentives for students to perform.
- Ensure that funding is fairly allocated and linked to accountability, including increasing fiscal transparency, instituting a weighted student funding program, measuring and benchmarking school-level efficiency, redesigning the funding formula to account for the true costs of educating each student to standard, and

reforming the tax system to provide such resources to schools on a predictable basis.

- Increase effectiveness of school and district ratings and interventions and improve the effectiveness and accountability of regional service providers.
- Provide all students with access to high-quality publicly funded school options, including bringing all schools (i.e., EdChoice schools) into a common accountability system with traditional public schools, evaluating new school providers and allowing only those with proven record of success to open new schools, and increasing not only the information regarding but also the availability of choice options for parents and students.

Achieve, Inc. provided a detailed list of recommended activities for each of these best practices. Their research also points to three key success factors that are essential for effectively implementing broad-scale educational reform: a clear vision and holistic plan, broad involvement and courageous leadership, and sustained commitment over time. They conclude that, while Ohio's K-12 education system has been significantly improved in the recent years, too many students leave the education system unprepared to compete in the global workforce, necessitating a system-wide approach to further reform.

Despite the deficiencies noted by Achieve in this report, Ohio's education reform efforts have been substantive. As a result of these efforts, Quality Counts provided Ohio a higher grade than the national average on a number of measures including K-12 achievement, standards and accountability, transitions and alignment, and the teaching profession, with Ohio ranking between 7th and 14th among all states on these measures (*Education Week* 2008).

Economic and Budget Climate

In addition to judicial rulings and education reforms, the economic and budget climate in Ohio has also influenced the education finance landscape. Ohio's economy has a higher concentration of manufacturing employment than the nation as a whole, even though, like other states, it has experienced long-term and cyclical employment losses in that sector. All together, the state's manufacturing sector accounts for over 20 percent of the wealth. Ohio produces, helping place the state's gross state product among the top 10 in the nation. Also, the majority of the state's manufacturing employment is in durable-goods production—for example, machinery, motor vehicles, and steel. Because industrial development is so important in Ohio, the state's economy tends to be more impacted by business cycles than other less-industrial-dependent states. This means that the state's budget looks relatively better during national economic upswings, and relatively worse during downswings.

Ohio has been strongly impacted by the globalizing economy and was hard hit by the economic downturn of the early 2000s. Manufacturing has lost an estimated 200,000 jobs to outsourcing in the last decade—that is more than one in four jobs lost in the United States (Achieve 2006; Ohio Department of Job and Family Services 2003; PR Newswire Association LLC 2004). Ohio's economy lagged the nation before the recession and continues to do so. Moreover, because interest rates were kept so low during the recession, demand for durable goods (e.g., automobiles) remained high even though the economy was struggling. As a result, the state will not be able to rely on pent-up demand from the recession to help drive its recovery.

Ohio's per capita personal income has been lower than that of the United States overall since 1980, but has generally followed the pace of the nation's overall growth trends (U.S. Bureau of Economic Analysis 1980-2005). Workers in Ohio started the decade of the 1980s with a slight edge on workers in the U.S. overall. But by the mid-1980s, wages in Ohio dropped below the U.S. average. Personal income ranked 29th among the states in 2005.

Employment in Ohio has followed an increasing-decreasing pattern since the early 1980s, reflecting the national pattern of employment trends; however, an initial drop in employment growth in the early 1980s put Ohio's growth a few steps back, relative to the nation, a position it retained for the next decade (U.S. Bureau of Economic Analysis 2007). Ohio's economic growth has lagged national numbers since 1996. In 2004, the Columbus Dispatch noted, "The economic growth of Ohio has been sub par, and not just during the recession, but during the last eight years" (Riskind 2004).

Ohio's economy continues to limp along, despite financial bullishness nationwide (Wolf 2006; Columbus Dispatch Editorial Staff 2005; Niquette 2004). As an added complication, Medicaid is the biggest single expense in Ohio's budget. The program costs approximately \$10 billion a year—consuming about 37 percent of annual state spending—and is growing at a rate that far outstrips inflation. Ohio's poor economic growth has been attributed by some experts to a decline in U.S. trade and skyrocketing energy prices, both of which have a disproportionate effect on Ohio. Others point to the fact that Ohio relies heavily on manufacturing—especially in the automotive sector—which was particularly hard hit by the recession and slow to add jobs related to increased productivity.

Political Environment

Ohio state elections favor Republicans. Prior to the election of Governor Ted Strickland in 2006, a Republican had held the governorship in Ohio for over a decade. Former Republican Governor Bob Taft was elected in 1998 and served two consecutive terms. Taft's first piece of legislation was a reading initiative, OhioReads, which placed volunteer tutors in elementary schools. He also named a Commission on Student Success whose work has framed the state's current school reform agenda. By contrast, the Governor's Blue Ribbon Task Force on Financing Student Success has been criticized for failing to similarly frame the future of school finance in the state.⁸⁵

Republicans have controlled Ohio's state legislature since 2001 thanks in large part to careful redistricting (e.g., minimizing the number of core city districts in the state that are typically won by Democrats) (Barone, Lilly III, and De Franco 1998; National Conference of State Legislatures 2004). Republicans have had a solid majority in the state House of Representatives (59 percent in 2005-2006 and 69 percent in 2003-2004) and the State Senate (66 percent). Republicans have controlled the Ohio Senate since 1985 and the House since 1994.

National elections reflect independent party affiliation. Ohio is often a key state in close presidential elections (Barnes 2004). While party registration in the state is overwhelmingly

⁸⁵ In carrying out its work, the Finance Task Force has received warnings from suburban Republican lawmakers to avoid "Robin Hood" proposals that call for pooling or redistributing tax revenue in a way that would benefit poorer districts at the expense of wealthier districts. When former Republican Governor George Voinovich proposed to redistribute funds in 1995, he came under fire from wealthy districts and the proposal went nowhere (Welsh-Huggins 2004).

Independent at 65 percent (vs. 19 percent Democratic and 15 percent Republican), Ohio has voted for the Republican presidential candidate in four out of the six presidential elections since 1980. Recent Republican victories have generally been decided by close margins: George W. Bush won the state in 2000 with 50 percent of the vote and in 2004 with 51 percent.

In the 109th U.S. Congress, Ohio's 20-member delegation (2 senators and 18 representatives) included 12 Republicans and 6 Democrats. Between 1998-2002, the Republican party had a consistent majority in the U.S. House of Representatives. In 2000, the Republican candidate for Senator, incumbent Mike DeWine, garnered 60 percent of the votes (for the 20 years prior to 1995—the year DeWine was first elected—Ohio sent only Democrats to the U.S. Senate); in 2004 Republican incumbent George Voinovich won with 64 percent of the vote.

Union power influential in Ohio. In 1983, Ohio, for the first time, enacted a comprehensive collective bargaining law, imposing labor contract bargaining upon public employers (Carey 2006). Prior to the enactment of this law, extensive labor contract bargaining had been conducted throughout Ohio between public employers and employee organizations. School employees became particularly active in demanding contract bargaining in the 1960s and 1970s. School boards resisted such contract bargaining, and, even though it was illegal, teacher strikes (recognition strikes) were not uncommon. These strikes phased out in the 1970s, and were replaced by strikes over benefits and wages. While the collective bargaining law enacted in 1983 allowed strikes by teachers, the frequency of strikes declined in 1980s. School boards began to see the inevitability of bargaining and are now more used to the process. The union replaced the strike with threat of a strike, but hard feelings remain.

According to the School Staffing Survey, 98 percent of districts in Ohio reported collective bargaining agreements with teachers unions in 1999-2000. While most collective bargaining agreements are local, Ohio statutes set minimum salary levels for teachers based on education and experience.

Recent levies indicate unwillingness of voters to increase school funding. In the 2004 election, Ohio's local school districts struggled to convince local voters to support school spending measures (Achieve 2006). Voters approved only half of the 286 school-funding requests that were on the 2004 ballot. From 1994 to 2006, the average Ohio school district put a local levy on the ballot once every 2 years; however, only just over half of those levies (55 percent) passed (Achieve 2006). John Brandt, executive director of the Ohio School Boards Association, noted that local funding measures were mainly to cover core funding, not to provide "extras." "For the people who passed their levies, this is just duct tape or bailing wire," Brandt said. "Nobody is passing levies to expand curriculum or reduce class size. . . . These are levies that are just holding school districts together, and the districts that lost levies are in serious trouble. . . . They don't have any good options" (Candisky 2004).