Members Brief

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

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# School Choice Program Funding

The state supports a number of school choice programs to allow families to have their children educated outside of the student's resident school district. Options include a community or STEM school, a nonpublic school through a state scholarship program, a different traditional district through open enrollment, and a postsecondary education institution through College Credit Plus. Most of these programs are funded directly by the state.

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## Overview

A school district is legally required to provide an education to the students that live within the district. However, the state provides funding for students who choose to obtain some or all of their education at schools other than those operated by their resident district. Since FY 2022, most of this funding is provided directly by the state. Previously, the state deducted most funding for school choice programs from the resident district's state foundation aid and transferred it to the educating district or school. Community and STEM schools represent the largest school choice program. These schools are public schools, but are not part of a traditional school district. In FY 2024, the state provided $1.19 billion in state foundation aid to community and STEM schools to educate approximately 120,800 full-time equivalent (FTE) students. In addition, the Educational Choice (EdChoice), Cleveland, Autism, and Jon Peterson Special Needs scholarship programs provide vouchers to district residents to attend alternative educational programs, primarily in chartered nonpublic schools. In FY 2024, the state spent $960.6 million to provide scholarships for over 147,400 FTE students.

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

choice program for students to attend a school operated by a traditional school district other than the district in which the student resides. Open enrollment students are counted in the educating school district for purposes of calculating state foundation aid. In FY 2024, about 79,300 FTE students attended schools outside their resident district through open enrollment.

Generally, a student participating in the previously mentioned programs will receive all of their education in the alternative school. Two other school choice programs provide funding for students to receive part of their education at a different school. Secondary students may attend a career-technical education (CTE) program operated by a joint vocational school district (JVSD). JVSDs are directly funded by the state through a formula and also have taxing authority to raise local funding. Funding for JVSDs is not discussed in this brief, but is described in detail in the Joint Vocational School District Funding *Members Brief*. Another program, College Credit Plus, allows students to attend postsecondary institutions for both high school and college credit. Unlike the other school choice programs, the tuition for most of these students is paid from a deduction from the educating district or school. In FY 2024, $67.1 million was paid to higher education institutions on behalf of public school students under this program. The remainder of this brief describes in more detail how funding for these school choice programs typically works.

## Community and STEM schools

Community schools are public schools that are exempt from certain state requirements. These schools are not part of any school district and do not have taxing authority. Community schools were first established in Ohio in FY 1999. They have grown from 15 community schools educating 2,245 FTE students (0.1% of public school enrollment) in FY 1999 to 344 community and STEM schools educating over 120,800 FTE students (7.5% of public school enrollment) in FY 2024. Community schools include e-schools, which provide educational services electronically instead of in a traditional classroom setting, and the more traditional brick-and-mortar (or "site-based") schools. Science, technology, engineering, and mathematics (STEM) schools were first authorized by law in June 2007. These public schools are similar to community schools in many respects but must operate in collaboration with higher education institutions and business organizations. In addition, H.B. 49 of the 132nd General Assembly authorized science, technology, engineering, arts, and mathematics (STEAM) schools as a type of STEM school. These schools must integrate arts and design into the study of STEM and operate in collaboration with a partnership that includes an arts organization, among other requirements. Currently, there are eight STEM schools that are governed independently from any school district.[1] Table 1 below shows the number of each type of school as well as the FTE student count for FY 2024.

For funding purposes, the FTE of a student in a site-based community school or STEM school is based on enrollment. An e-school student is counted somewhat differently. An e-school student's FTE depends on the number of hours of documented learning opportunities, either offline or online, in which the student participates. For example, an e-school student that participates in 920 hours of learning opportunities in a school year generates the maximum FTE of 1.0 since a community school must provide a minimum of 920 hours of learning opportunities each school year. A student that engages in 690 hours is counted as 0.75 FTE (690/920 = 0.75).

[1] STEM schools also may be governed by a school district board of education. In this case, the school is considered a school of the district and the formula discussed in this section does not apply.

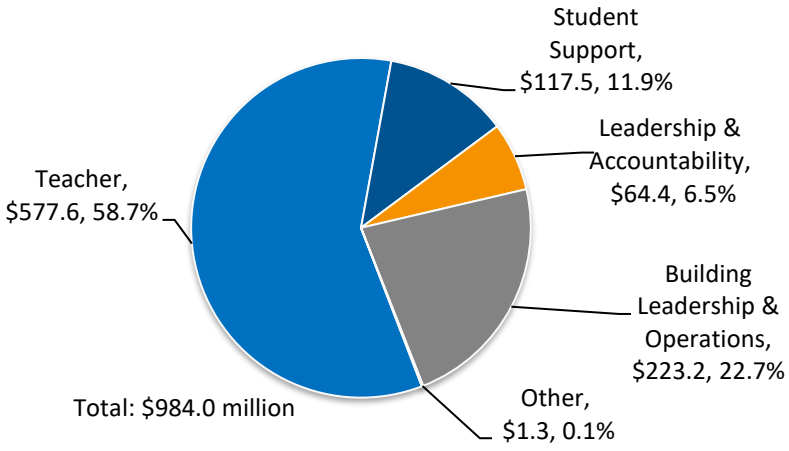
| Table 1. Community and STEM Schools in FY 2024 | | |
|---|---|---|
| **Type of School** | **Number of Schools** | **FTE Students** |
| Site-based community school | 318 | 83,873 |
| E-school | 18 | 33,108 |
| STEM school | 8 | 3,824 |
| **Total** | **344** | **120,804** |

The state foundation aid formula for community and STEM schools is similar to the formula for traditional school districts. However, since these schools do not have taxing authority, the state provides all of the base cost and other applicable formula components to them. In other words, the state share for community and STEM schools is effectively 100%. State foundation aid for community and STEM schools totals $1.19 billion in FY 2024. Additional details are provided below.

## Base cost

The formula for community and STEM schools calculates the same five base cost components as traditional school districts, which includes the (1) teacher base cost, (2) student support base cost, (3) leadership and accountability base cost, (4) building leadership and operations base cost, and, (5) if a school is eligible, athletic co-curricular activities base cost. The Base Cost Model *Members Brief* provides details on the calculations for each of these five components. The base cost formula for community and STEM schools differs from that for traditional districts in some respects. The community and STEM schools formula (1) uses current year enrolled average daily membership (ADM) rather than base cost enrolled ADM, (2) eliminates the minimum number of positions computed for special teachers, (3) includes a 20% credit for community school students that participate in career-technical education through the career-technical planning district (CTPD) to which the school is assigned, and (4) computes each school's student support, leadership and accountability, building leadership and operations, and (if meeting the criteria to qualify) athletic co-curricular activities base cost components as equal to the school's enrollment multiplied by the per-pupil statewide averages for the respective base cost component for traditional districts. In FY 2024, these per-pupil statewide average costs

**Chart 1: Components of the Base Cost for Community and STEM Schools ($ in millions), FY 2024**



were $973, $533, $1,848, and $192, respectively. The base cost for community and STEM schools totaled $984.0 million in FY 2024. Chart 1 illustrates the proportion each of the components represent of the total base cost. In the chart, "Other" includes the athletic co-curricular activities base cost ($1.0 million) and the CTPD student credit ($0.3 million).

## Categorical components

Community and STEM schools are provided additional aid for students receiving special, career-technical, or English learner education services. The calculations for these components are the same as those for traditional districts except that the state share percentage is not applied. In addition site-based community and STEM schools receive disadvantaged pupil impact aid (DPIA) for each student identified as economically disadvantaged. DPIA is calculated in the same manner as traditional school districts. Unlike traditional districts, community and STEM schools do not receive targeted assistance or gifted student funding. The table below summarizes the categorical component funding that flows to community or STEM schools, which totaled $342.8 million in FY 2024 prior to accounting for the formula's phase-in and guarantees. For details regarding how these components are calculated, please see the Categorical Add-On Aid to Ohio Schools *Members Brief*.

**Table 2. Categorical Components for Community and STEM Schools, FY 2024**

| Component | E-schools Eligible | Total Aid (in millions) |
|---|---|---|
| Special education | Yes | $173.5 |
| DPIA | No | $104.2 |
| CTE | Yes | $54.7 |
| English learners | Yes | $10.4 |
| **Total** | | **$342.8** |

## Phase-in

The formula provides a phase-in of a community or STEM school's funding components similar to that of traditional districts, with several exceptions. The formula calculates a school's phase-in amount by starting with its FY 2020 foundation aid. However, a number of community schools have opened for the first time after FY 2020 and otherwise would have a funding base of $0. To address this situation, the formula directs the Department of Education and Workforce (DEW) to calculate an applicable school's funding base as equal to an amount the school would have been paid under the formula in effect in FY 2020 if the school was in operation for that year. All applicable components are subject to the phase-in percentages of 50% and 66.67% for FY 2024 and FY 2025, respectively.

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

amount. However, the formula prohibits a community or STEM school's phased-in amount from exceeding the total calculated under the new formula (that is, the phased-in amount may only be less than or equal to the total under the new formula). As a result of this provision, the formula funded 54 (16%) schools in FY 2024 according to their full calculated amounts under the new formula that would have otherwise received more under the phase-in mechanism (because their FY 2020 funding is larger than their new calculated amount). In FY 2024, the phase-in reduced foundation aid for the remaining 290 (84%) community and STEM schools by $218.4 million. A school's core foundation aid is the sum of its funding after the phase-in is applied. In FY 2024, core foundation aid for community and STEM schools totaled $1.11 billion.

## Equity supplement

In FY 2024 and FY 2025, the formula provides a community school equity supplement of $650 per pupil. E-schools and STEM schools are not eligible for the supplement. The formula excludes the supplement from the formula's phase-in provisions. In FY 2024, the 318 site-based community schools received a total of $54.5 million from the equity supplement.

## Transportation

Generally, a traditional school district must provide transportation for students in grades K-8 who live more than two miles from school, whether they attend district schools, community schools, or chartered nonpublic schools. However, a community school may transport its own students and receive a payment for doing so, either by unilaterally assuming the district's transportation responsibility or through an agreement with the students' resident school district. A community school's transportation payment depends on whether it unilaterally assumes responsibility or has an agreement with a resident school district to transport students.

In FY 2024, all 40 community schools that transported students did so through unilateral authority without entering into an agreement. In these cases, a school's transportation payment is equal to the statewide cost per rider for traditional districts ($1,168 for FY 2024) multiplied by the number of riders the school transports. Transportation funding is provided outside of the formula's phase-in mechanism. In FY 2024, the formula provided a total of $8.6 million in transportation funding to the 40 community schools for over 7,400 riders. While no community school has entered into an agreement with a district for transportation, a school that would do so would be paid according to the terms of the agreement for each student transported.

## Formula transition supplement

The formula guarantees that a community or STEM school's foundation aid per pupil for FY 2024 and FY 2025 does not fall below its total per-pupil amount of FY 2021 foundation funding before budget reductions, including any transportation payments, and student wellness and success funds. In FY 2024, 39 (11%) community or STEM schools received a total of $19.7 million from the formula transition supplement.

## Final foundation aid

A community or STEM school's final foundation aid is the sum of its core foundation aid, equity supplement, transportation aid, and formula transition supplement. In FY 2024, final foundation aid for community and STEM schools totaled $1.19 billion, or an average of $9,861 per pupil. Table 3 below breaks out this funding by school type.

| Table 3. Community and STEM School Final Foundation Aid by School Type, FY 2024 | | |
|---|---|---|
| **School Type** | **Foundation Aid (in millions)** | **Foundation Aid per Pupil** |
| Site-based community schools | $898.5 | $10,712 |
| E-schools | $258.7 | $7,813 |
| STEM schools | $34.1 | $8,925 |
| **All community and STEM schools** | **$1,191.2** | **$9,861** |

## Funding outside of foundation aid

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

### Quality Community and Independent STEM Schools Support Program

Community and STEM schools that meet certain standards qualify for funding under the Quality Community and Independent STEM Schools Support Program. A community school is eligible if it meets certain quality standards with respect to report card grades, sponsor ratings, and other factors. Beginning in FY 2024, an independent STEM school is eligible if it is not governed by a school district, satisfies the requirements described in DEW's Quality Model for STEM and STEAM Schools, and meets certain other requirements. In FY 2024 and FY 2025, this program, funded by lottery profits, provides designated schools with per-pupil funding of $3,000 for students who are identified as economically disadvantaged and $2,250 for all other students. In FY 2024, 72 community and STEM schools received $87.6 million under the program.

### Facilities funding

In FY 2024 and FY 2025, each site-based community and STEM school receives a per-pupil amount of $1,000 to assist with facilities costs. E-schools receive a per-pupil amount of $25. Facilities funding is paid using lottery profits. In FY 2024, facilities funding for community and STEM schools statewide was $87.1 million. That year, facilities funding to schools was slightly prorated (to 98.3% of the calculated amount) to avoid exceeding the amount appropriated.

### Dropout prevention and recovery e-school supplemental funding

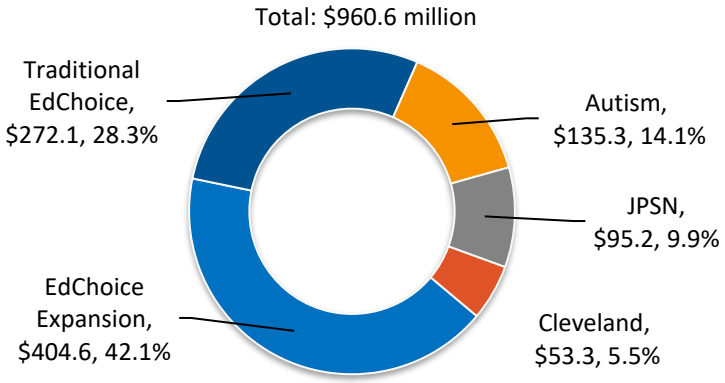
An e-school with a majority of students enrolled in a dropout prevention and recovery program (DOPR e-school) is eligible for supplemental state funding through what DEW describes as a hybrid funding model for students in grades 8-12 based on a combination of enrollment, documented learning opportunities, and credit attainment or course completion. In general, the payment calculates an alternative base cost amount for each student based on those factors, but the alternative amount cannot be more than what the student would generate based on their hours of enrollment. Then, a school's alternative base cost amounts for each student are summed. A school's payment equals the difference between the total alternative base cost amounts for their students and the product of the statewide average base cost per pupil times the actual FTE for them. For FY 2024, 10 DOPR e-schools received a total of $9.1 million from the

payments. The program began in FY 2021 as a pilot program for DOPR e-schools that met certain criteria and was extended for participating schools into FY 2022 and FY 2023. H.B. 33 of the 135th General Assembly made the program permanent and expanded eligibility to all DOPR e-schools.

# Scholarship programs

Scholarship programs provide funding to a student to pay tuition to an approved education provider other than the student's resident district, typically a chartered nonpublic school. Chart 2 below breaks out the payments for each of the state's five scholarship programs: (1) the traditional EdChoice Scholarship Program, (2) the EdChoice Expansion Scholarship Program, (3) the Cleveland Scholarship Program, (4) the Autism Scholarship Program, and (5) the Jon Peterson Special Needs (JPSN) Scholarship Program. Overall, scholarship payments totaled $960.6 million in FY 2024. Additional details about each program follow the chart.

**Chart 2: Scholarship Payments by Programs ($ in millions), FY 2024**




## EdChoice Scholarship Program

### Traditional EdChoice

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

Students use the scholarships to attend participating nonpublic schools. The amount awarded under the program is the lesser of the actual tuition charges of the school or the maximum scholarship award. Currently, the maximum scholarship award is $6,166 for students in grades K-8 and $8,408 for students in grades 9-12. These amounts will increase in future years by the same percentage as the foundation aid formula's statewide average base cost per pupil increases in those years. In FY 2024, the state paid a total of $272.1 million in traditional EdChoice scholarships for about 40,300 FTE students.

## EdChoice Expansion

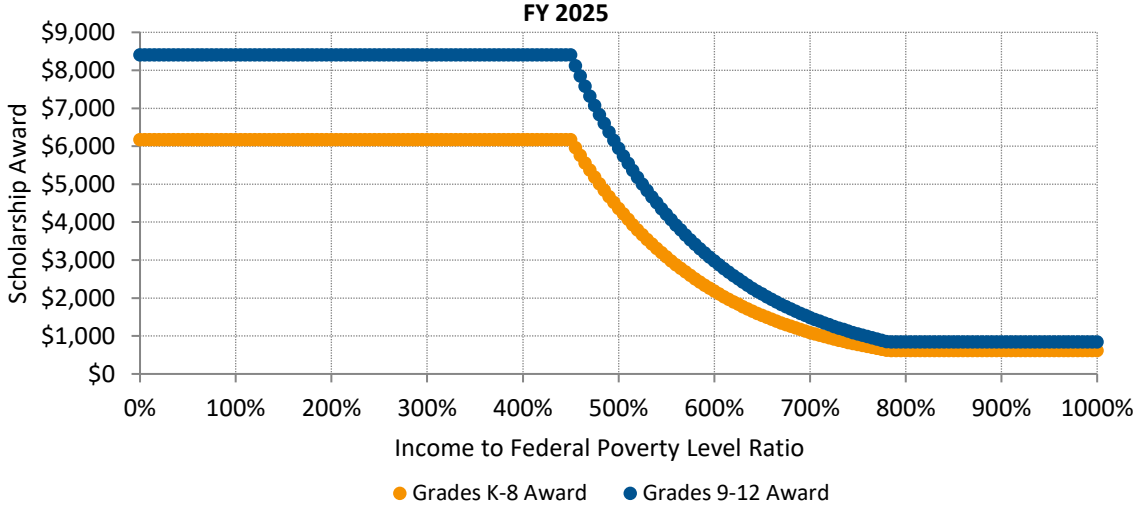
Beginning in FY 2024, the EdChoice Expansion Scholarship Program is open to any student entering grades K-12. Formerly, a student was eligible for a first-time scholarship if the student's family income was at or below a certain family income eligibility threshold, most recently 250% of the federal poverty level (FPL). Also beginning in FY 2024, the scholarship amount for a first-time recipient is subject to means testing. The maximum scholarship amounts are the same as those for traditional EdChoice scholarships and are awarded to families with incomes up to 450% FPL ($140,400 for a family of four in 2024). Scholarship amounts scale down based on income for families who make more than 450% FPL. Like the traditional EdChoice program, the amount awarded cannot exceed a student's actual tuition charges. Students who received an EdChoice Expansion scholarship prior to FY 2024 qualify for the same maximum scholarship amounts for traditional EdChoice scholarship recipients. For FY 2024 only, the law prescribed set scholarship amounts by income band, which are listed in the table below.

**Table 4. First-Time EdChoice Expansion Scholarship Amounts by Income Ratio, FY 2024**

| FPL Ratio | Grades K-8 | Grades 9-12 |
|---|---|---|
| At or below 450% | $6,166 | $8,408 |
| 451% to 500% | $5,200 | $7,050 |
| 501% to 550% | $3,650 | $5,000 |
| 551% to 600% | $2,600 | $3,550 |
| 601% to 650% | $1,850 | $2,500 |
| 651% to 700% | $1,300 | $1,750 |
| 701% to 750% | $900 | $1,250 |
| Above 750% | $650 | $950 |

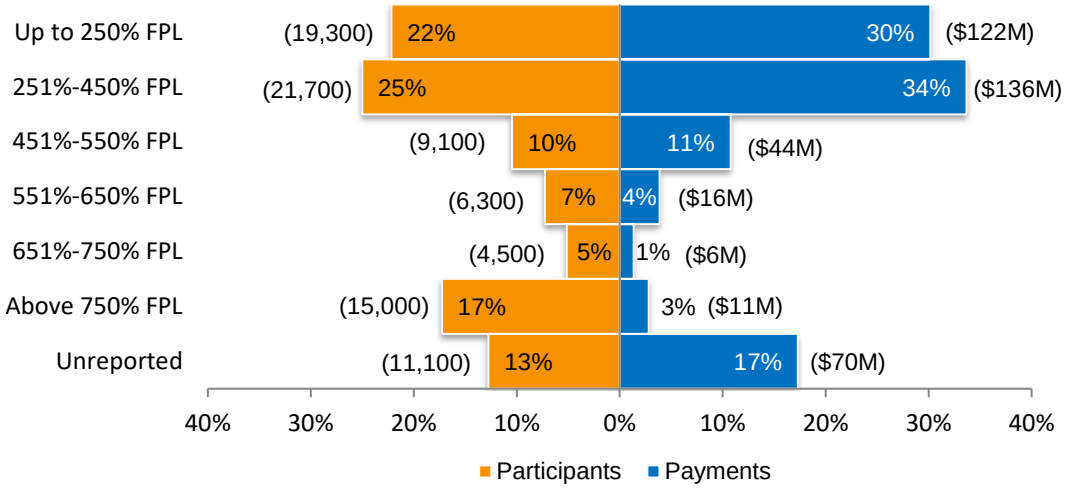
Beginning in FY 2025, the program uses a logarithmic function formula to calculate award amounts that decrease as a student's family income rises above 450% FPL. For example, the formula results in a student with a family income of 550% FPL receiving 50% of the base amount and a student with a family income of 650% FPL receiving 25% of the base amount. However, the formula sets a minimum scholarship amount equal to 10% of the base amount, which is triggered at 783% FPL. Chart 3 below illustrates the scholarship awards in FY 2025 according to the formula.

**Chart 3: First-Time EdChoice Expansion Scholarship Awards by Income Ratio, FY 2025**




The changes to EdChoice Expansion scholarship eligibility resulted in significant increases in participation and state payments. In FY 2024, the state spent $404.6 million to fund scholarships for over 86,800 FTE students, increased from $124.4 million for 22,600 FTE students in FY 2023. As Chart 4 below shows, students with family incomes up to 450% FPL made up 47% of participants (the orange bars) but 64% of scholarship payments (the blue bars) in FY 2024. The wealthiest families (those above 750% FPL) made up 17% of FTE participants but 3% of payments.[2]

**Chart 4: Distribution of EdChoice Expansion Scholarship FTE Participants and Payments by Income Level, FY 2024**




[2] Those not reporting income likely are individuals who renewed and did not have to report income or those who qualified based on sibling eligibility.

## Cleveland Scholarship Program

The Cleveland Scholarship Program allows students who are residents of the Cleveland Municipal School District to obtain scholarships to attend participating nonpublic schools. The scholarships are the lesser of the tuition charged by the alternative provider or the maximum scholarship award, which is the same as under the EdChoice programs. In FY 2024, Cleveland scholarships totaled $53.3 million for about 7,800 FTE students.

## Autism Scholarship Program

The Autism Scholarship Program provides scholarships to students with autism and an individualized education program (IEP) established by their resident school districts whose parents choose to enroll the student in an approved special education program other than the one offered by the student's school district. The scholarships are the lesser of the total fees charged by the alternative provider or $32,445. In FY 2024, over 4,500 FTE students received scholarships totaling $135.3 million.

## Jon Peterson Special Needs Scholarship Program

The Jon Peterson Special Needs (JPSN) Scholarship Program is similar to the Autism Scholarship Program except that it is available to all students with disabilities that have an IEP established by their resident school districts. The amount of the scholarship is lesser of the amount charged by the student's provider and the sum of a base amount and an amount for the student's disability category, subject to a cap of $30,000 for FY 2024 and $32,445 for FY 2025. The base amount is $7,190 for FY 2024 and FY 2025. The table below lists the effective maximum amounts for each disability category once the base, disability category, and capped amounts are all taken into account. The base amount will increase in future fiscal years by the same percentage as the statewide average base cost per pupil increases in those years. Dollar amounts assigned to the child's disability category will also increase by the same percentage that amounts calculated by the General Assembly for those categories of special education services increase for future fiscal years. In FY 2024, 7,900 FTE students received JPSN scholarships totaling $95.2 million.

**Table 4. JPSN Scholarship Effective Maximum Amounts by Disability Category**

| Disability Category | FY 2024 | FY 2025 |
|---|---|---|
| Category 1 | $8,941 | $9,585 |
| Category 2 | $11,632 | $12,470 |
| Category 3 | $17,863 | $19,150 |
| Category 4 | $21,433 | $22,977 |
| Category 5 | $26,480 | $28,387 |
| Category 6 | $30,000 | $32,445 |

## Open Enrollment

Each school district in Ohio can choose to accept students from other districts under an open enrollment policy. For funding purposes, the formula counts open enrollment students in the district in which they are educated. Formerly, these students were counted in their resident district. The state then deducted funding for them from their resident district's state foundation aid and transferred it to the educating district. About 77% of school districts (including JVSDs) allow statewide open enrollment, 6% of school districts allow adjacent district open enrollment only, and the remaining 17% of school districts do not accept open enrollment students. In FY 2024, about 79,300 FTE students (5.5% of the statewide total) attended schools other than their resident district schools through the open enrollment option.

## College Credit Plus Program

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

In general, the formula for CCP payments to postsecondary education institutions is based on the number of credit hours in which a student is enrolled and per credit hour "default ceiling" or "default floor" amounts that correspond to certain methods of course delivery and instruction. The payment rates range from roughly $42 (default floor) to $167 (default ceiling). A school district and institution may enter into an alternative payment structure, but the negotiated rate cannot be higher than the default ceiling amount per credit hour or the college's standard rate,[3] whichever is less, or lower than the default floor amount per credit hour unless a lower amount is approved by the Chancellor of Higher Education.

In FY 2024, about $67.1 million was paid to colleges under the program on behalf of public school students. For nonpublic students, the costs of taking college classes under CCP are paid by the state directly through an earmark of GRF line item 200511, Auxiliary Services. Similarly, payments for home school students participating in CCP are paid through an earmark from GRF line item 200550, Foundation Funding – All Students. In FY 2024, DEW paid $2.6 million for nonpublic school students and $2.4 million for home-educated students.

[3] The "standard rate" means the amount per credit hour assessed by the college for an in-state student who is enrolled in an undergraduate course at that college, but who is not participating in CCP.