



Key Points

- Recent school funding litigation in Ohio has had both a public impact and a fiscal impact on schools.
- Public impact includes increased attention of the public to school-related issues.
- Fiscal impact includes a conflict between poorer districts and wealthier districts, which may cause a tandem state level response.
- Many school administrator concerns have not been addressed by ten years of litigation.
- Stability and smooth operations have been hindered by the lack of an automatic cost of living or inflation adjustment to school district revenues.
- Stability and smooth operations have been hindered by changes to the state school funding formula.
- Stability and smooth operations have been hindered by haphazard and sometimes punitive accountability measures.

Public Policy Challenges to the Superintendency: School Finance Experiences from Ohio

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Introduction

Public policy decisions about education at the federal and state levels represent attempts to address broad-based social needs and priorities, not the least of which involve school funding. Public decisions at the local level, however, are more specific attempts to meet the immediate community's needs and priorities. For education and school funding decisions, priorities at the different levels of governance and finance can differ substantially. For example, state policy makers are required to consider all schools that are included in all school districts of a state, whereas school administrators need only be concerned about one school district and its local schools. This arrangement can translate into state level priorities that push toward equal revenues for all public school districts while local priorities emphasize a maximum of revenues for academic programs, extracurriculars, and other local projects. Naturally, in some educational settings, state interests and local interests are incongruent, and this situation can lead to problematic implications for the district superintendency, school business operations and finance.

Almost every school district superintendent in Ohio was critical of the school funding system. No real growth in local revenue without voting additional taxes, residual based funding for the foundation, and structural flaws in state funding formulas created a school funding system that was not improving but getting worse. Frustrations led to the organization of a number of coalitions, some of which were involved in recent protracted school funding litigation in Ohio.

Public Policy Revisited

Public Impact: The current school funding cases in Ohio spans ten years. No longer is the existence of substantial fiscal disparity among school districts unquestioned and untouchable in Ohio. Public policy about fiscal equity and adequacy among schools is of contemporary and common concern. The mass populace is now engaged in questions about public education. Not all the attention is good, but a new public emphasis on schools, teachers, and children has emerged. Public frustration with school funding seems largely redirected with optimism toward educational programs and initiatives that work. The school finance based legal initiative may have actually focused public attention where it most belongs—on children and their educational experiences.

Fiscal Impact: In the aftermath of successful school funding litigation, state level priorities push toward the happy medium while local level priorities attempt to pull as much as possible from the new school funding system. This conflict translates into poorer districts lobbying for increased centralization (i.e., more school funding from state resources) while wealthier districts lobby for decentralization or local control that will maintain local abilities to raise school funds without an upper limit. In such an environment, a tandem state level response can be anticipated. Adequate school funding replaces the goal of equal school funding, and school accountability requirements increases. An unintended consequence of the above is the need for school funding to pay for new accountability requirements. Increased funding needs may burden local taxpayers and the local tax burden may compound if the statewide adequacy measure is politically determined rather than empirically derived.

Implications for Future Administrators

Many school administrator concerns have not been addressed by ten years of litigation. School districts require stability in revenues in order for smooth business operations to occur. Schools require fiscal stability in order for organizational participants to focus on challenges that directly benefit schoolchildren—not school funding challenges.

Inflation Adjustment Challenge: Stability and smooth operations have been hindered by the lack of an automatic cost of living or inflation adjustment to school district revenues. The lack of an automatic cost of living or inflation adjustment combines with the phenomenon of phantom revenue to cut school district operating expenditures twice. Local purchasing power decreases each year while the state school funding formula credits districts with local revenues that are never received. This occurs because the state formula anticipates or expects that each district will receive tax revenues based on local property valuation. When property valuations increase due to inflation or market conditions, anti-inflation legislation affectively holds property values constant. The statewide school funding formula, however, bases its projection of local tax revenues on the inflated market valuation of property. This technical detail saves the state a lot of money because it bases the state's proportionate share of school funding on an inflated assumption of local property tax revenue receipts.

Funding Adjustment Challenge: Stability and smooth operations have been hindered by changes to the state school funding formula. Throughout each planning cycle, school administrators need to know how much money their districts can reasonably expect to receive from the state in future years. Without this knowledge effective planning will not likely occur. Sweeping fiscal changes at the state level, that sometimes receive widespread public attention and applause, can destroy carefully planned operations and improvements and erode financial stability at the local level.

Accountability Cost Challenge: Stability and smooth operations have been hindered by haphazard and sometimes punitive accountability measures. Accountability is important to the optimum function of any system. Too often, however, accountability is a semblance of broad-based policy that can enjoy widespread public appeal but hinders local school operations. Accountability costs money. Superintendents must explain to their local communities why more funding is needed or why popular educational programs and experiences are rendered budgetary cuts.

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